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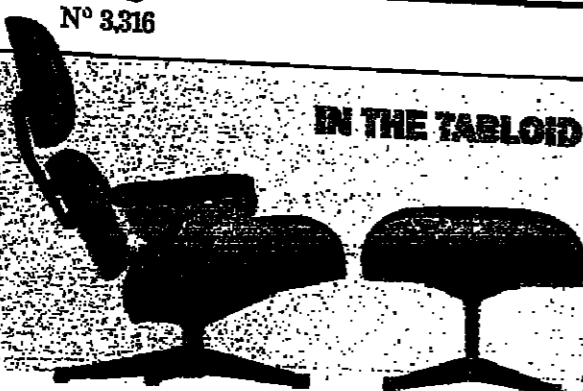
THE INDEPENDENT

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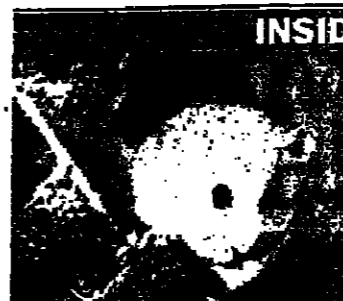
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INSIDE THE TABLOID

**SAVING BRITAIN'S
WILDLIFE**

8-PAGE SPECIAL REPORT

Britain threatens trade war

Charles Arthur
Science Editor
and Katherine Butler

In a move signalling a new beef trade war, the Government yesterday threatened a unilateral ban on £250m of European beef imports unless they adopt the UK's measures to protect consumers against bovine spongiform encephalopathy.

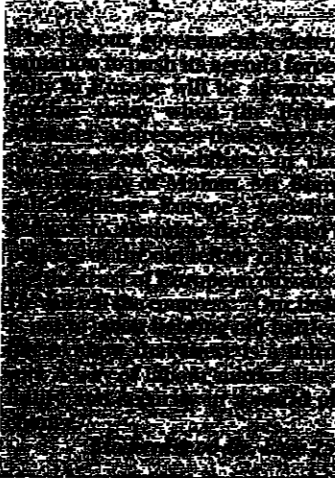
The defiant message, 15 months after the UK's £500m beef export industry was choked off by import bans across Europe and the rest of the world, is a preliminary shot before a meeting of the European Union's agriculture ministers on 22 July. The agriculture minister, Jack Cunningham, said he hoped the EU would agree on the new controls before the meeting.

But he warned that if there was no accord, he would act unilaterally to ban the import of 130,000 tonnes of beef, worth about £250m and comprising about 25 per cent of the UK's beef market.

Mr Cunningham added that he believed most member states strongly supported the idea of Europe-wide restrictions, even though agreement had proved hard to reach. He said he had already warned EU commissioners Franz Fischler and Emma Bonino of his moves.

The tough line found favour in Brussels last night where Herr Fischler recently revived proposals for a blanket EU-wide ban on offal. But Britain's EU partners will not appreciate being lectured to by the country they blame for giving Europe BSE. Nor will the Commission condone a unilateral British ban on beef from other member states that would be in clear breach of the rules

**Modernise
Blair tells
Europe's left**



of the single market, officials said. Mr Cunningham insisted the threat of unilateral action was neither a re-run of the previous government's attempts to force concessions on the EU's ban through confrontation, nor a bluff.

"This is no game. This is no bluff," he said. "I'm in earnest in making this announcement. The draft orders are in my briefcase. It's nothing to do with protectionism, it's based on very important advice to safeguard public health."

ed that the heads, spinal cords, and various internal organs of cattle should be kept out of the food chain.

The measures were originally implemented to reduce the risk to humans from BSE after the Government announced that a number of people had died of a new form of Creutzfeldt Jakob Disease (CJD), a fatal brain disorder, and gave the "most probable cause" as exposure to BSE. So far 15 Britons have died of "nv-CJD", and one death was confirmed last year in France.

Mr Cunningham said: "I am prepared to wait until the July agriculture council but in light of the advice I have received, if agreement is not reached by then I cannot justify any further delay. And we would then implement these regulations unilaterally in Britain."

Professor John Pattison, head of Seac, said the committee's advice to the government had changed in light of the EU's failure to reach agreement on the tougher controls on sheep and beef imports.

The moves come as the *Veterinary Record*, the official journal of the British Veterinary Association, is considering a paper submitted by an international team of scientists which suggests that there has been considerable under-reporting of BSE in Europe.

Apart from the UK, other EU countries have only reported a total of 352 cases of BSE. Yet statistical studies, and comparisons with Switzerland, where a total of 225 BSE cases were reported, suggest that the EU should have reported 1,670 cases of BSE from imported British cattle alone.



Up from the Ashes!



Howzat! Andy Caddick celebrates taking Jason Gillespie's wicket on the first day of the first Test against Australia Photograph: David Ashdown

Chris Maume

Harold Wilson was quick to claim credit for English football's greatest day, so, perhaps, Tony Blair may be persuaded to push the case that the nation's sporting renaissance is all down to his party's landslide in the general election.

Following the recent success of the Lions rugby union tourists in South Africa and the English

rugby and football teams, yesterday it was the turn of England's cricketers to ride the crest of the national sporting wave.

The first day of the first Test at Edgbaston was entirely dominated by England, whose bowlers saw off the Australians for only 118 runs before the batsmen, after surviving some early scares, finished the day on 200 for 3. Having lost their deposits in the one-day series, the Australians are obviously pay-

ing the penalty for voting in John Howard's Liberals - the Aussie Tories - last year. It took a while for the curse of the right wing to take effect. West Indies and South Africa both being beaten since the election, but it kicked in yesterday.

Which would suggest that we're quids in for next year's World Cup. The 2002 finals, though, just after a full-term election, may be our downfall. Test reports, page 30



Old favourite: A conductor standing at the back of a Routemaster bus, whose open platform is popular with travellers Photograph: Philip Meach

I'll get you on the bus, says Prescott

Nicholas Schoon and
Jeremy Laurence

Within five years, more people will be using public transport and driving their cars less, John Prescott, the Deputy Prime Minister, vowed yesterday. "Judge me against that," he said in a speech on World Environment Day. The number of cars in Britain might continue to rise, but the Government would encourage and persuade people to make more use of public transport.

His pledge coincided with a paper in a leading medical journal, which said that small and relatively common increases in air pollution caused six extra deaths a day in London.

Announcing a wide-ranging review of transport policy, Mr Prescott did not rule out higher taxes on fuel and on cars, and other taxation measures to discourage car use and ownership.

But he made it clear that he favoured "road rationing" - guaranteeing clear lanes for buses to move swiftly through cities. But creating extra bus lanes, tougher enforcement against cars moving or parking in existing lanes, or the third option of totally segregating bus lanes from the rest of the road all reduce the space available for cars and other vehicles.

He told a press conference that if a car journey to work took people 10 minutes longer as a result of increased congestion, while motorists noticed buses moving quickly, freely and frequently, they would be persuaded to leave their cars. Families who owned two or even three vehicles might then

sell one. When public transport was highly reliable and frequent "all the evidence shows people are leaving their cars at home," he said. "I want to go with the swim."

The transport review will lead to a White Paper next spring which will spell out the details of the Government's integrated transport policy. Mr Prescott told a conference for environment and development groups in his speech on sustainable development. He accepted some policies needed to protect the environment would be unpopular with voters, and promised to lead the battle to win over public opinion. Politicians had special talents for communicating with and persuading ordinary people on difficult issues. "We must have the courage to face up to them," he said.

He travelled to the conference at the Royal Geographical Society headquarters in London by Underground rather than his ministerial Jaguar.

At the press conference afterwards he disarmingly admitted that he had not understood some of the phrases civil servants had written in his speech. The exact meaning of "biodiversity" was a mystery to him. And a reference in the speech to "endocrine disruptors, which mimic sex-hormones" - the so-called gender-bender pollutants which are a fast rising environmental issue - left him quite baffled.

"There's quite a few things I don't know enough about yet," he said, asking for more time. But he warned environmentalists against jargon. "I need to translate this technical language into something people can understand." He was asked about the Prime Minister's

decision to fly to the G7 Summit in Denver and the five-year follow-up to the Rio Earth Summit in New York - both at the end of this month - using the world's single most polluting vehicle, Concorde. Mr Prescott would not criticise Tony Blair, but said when he flew to the Earth Summit he would not use Concorde.

The Liberal Democrats' environment spokesman, Matthew Taylor, called on the Government to set national targets for cutting road traffic now, and green tax reforms in next month's Budget speech from Gordon Brown which would end the company car perk.

Daily death rates in seven western European cities, including Paris, Milan, Cologne and Athens as well as London, rose by an average 3 per cent when pollution levels for sulphur dioxide or black smoke increased by 50 microgrammes per cubic metre, the study in the *British Medical Journal* found. Vehicles, especially diesels, are one of the most important sources of these pollutants. However, death rates in the five eastern European cities studied, including Bratislava, Cracow, and Lodz rose less - by 0.6 per cent when sulphur dioxide levels were raised by 50 microgrammes and by 0.8 per cent when black smoke levels were raised.

Researchers from the European Air Pollution and Health project say the findings show that the short-term effects of low levels of air pollution are "not a trivial public health problem" given the large numbers of people exposed. About 23 million people live in the 12 cities studied.

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Hospital debts threat
One of Labour's key election pledges to cut waiting lists has been put in jeopardy by the discovery of £300m debts facing health authorities and hospital trusts. Page 6

Railtrack review
The Rail Regulator has launched a review of public subsidies to Railtrack, after it announced a 27 per cent increase in pre-tax profits last year. Page 22

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Radiologists to retrain after breast screening alert

Two consultant radiologists have agreed to undergo further training following concerns raised by medical staff over breast screening, it emerged yesterday. The concerns centred on the interpretation of tiny calcium deposits which showed up in mammography films of nine women who attended the East Devon Breast Screening Service, run from Exeter.

Dr John Brennan, from the Royal Devon and Exeter Hospital, and Dr Graham Urquhart, from Torbay Hospital, are to undergo re-training at an NHS Breast Screening Programme training centre in Nottingham in the specific area of microcalcification interpretation. Meanwhile, the RDE and South Devon Healthcare Trusts said they would be reviewing their breast screening service which will continue on a day-to-day basis.

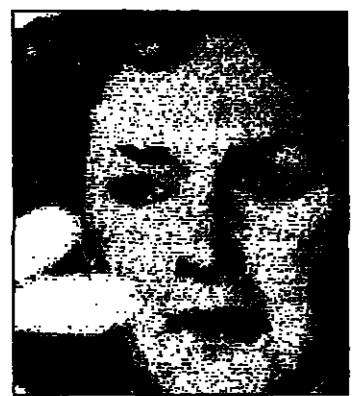
The nine women were among 12 who developed breast cancer after an initial screening – and before the routine three-year recall – and were being treated for it in hospital. The RDE Trust's chief executive, Angela Pedder, said that two of the nine women had died, but added: "That does not mean the deaths are the result of this issue." The trust set up a helpline for women concerned about the issue and in the few hours after it was launched yesterday morning a total of 110 women had called for information.

Trains stuck in Channel tunnel

A tourist shuttle train and a high-speed Eurostar train were stuck in the Channel tunnel after a power failure. Passengers on the car-carrying shuttle 10 miles out from the English coast reported hearing a loud bang and seeing a flash as the train tripped overhead lines. It was half an hour before the two trains were able to move and large queues of vehicles built up at the Folkestone terminal in Kent. A section of the French-bound tunnel was closed for several hours for repairs to the power lines.

Eurotunnel had to reduce the number of shuttles running through the tunnel as well as suspend trials of its freight shuttle trains, which the company hopes to restart in mid-June following last November's fire. The company said no passengers had been in danger or apologised for the inconvenience.

Gregory files home and goes to jail



Drug smuggler Sandra Gregory has spent her first night in a British jail after being transferred from Thailand to complete her 25-year sentence. The 32-year-old teacher was taken Holloway prison in north London, after being flown back to Britain yesterday with three other Britons convicted of smuggling. She will spend several weeks there being assessed before being transferred to another jail. Gregory, (left) of Sowerby Bridge, West Yorkshire, was found carrying 89 grammes of heroin concealed in a condom in her body preparing to board a plane from Bangkok to Tokyo in 1993. She was arrested with fellow Briton Robert Lock, who was released last year after being cleared.

Salmonella scare halts admissions

All admissions to a hospital hit by a salmonella outbreak were stopped yesterday after two patients died and 17 other people fell ill. Staff and patients at the 55-bed Victoria Hospital in Deal, Kent, have both been affected in the last six weeks. Experts said that the two people who died were frail and had life-threatening conditions before the salmonella infection.

The hospital has stopped all admissions for four weeks while doctors try to trace the source of the outbreak and tests are being carried out at the hospital and on former patients to try to track down the source of the outbreak. Dr Mathi Chandrakumar, East Kent Health Authority's consultant in communicable disease control, said: "All necessary steps are being taken to control the outbreak and hospital staff are being especially vigilant in their care of the patients."

Smoke-ban commuter's light relief

A long-running legal campaign by a commuter against a smoking ban on the London to Brighton line descended into farce yesterday, amid claims that the rail company would permit him to smoke cigars. Peter Boddington, of Brighton, and Conner South-Central said they had resolved their dispute after Mr Boddington agreed to abide by the terms of an order drawn up by their lawyers. But later in the day it transpired that they had different views on what the deal meant.

Conner, which obtained an interim High Court injunction in April preventing Mr Boddington from lighting up on its trains, said he had agreed to refrain from all forms of smoking. He, however, pointed out that the order referred only to "smoking or carrying a lighted cigarette" and said he would be entitled to puff on cigars on his daily journey to and from London. Kathy Marks

Law Society to keep minimum pay

The solicitors' ruling body yesterday overruled popular opinion in the profession with a decisive vote against abolishing the minimum salary for trainees. The 75-strong Council of the Law Society voted overwhelmingly at its monthly meeting to retain the minimum even though a substantial majority of respondents to a consultation exercise in January favoured abolition. Under the current minimums, which have not changed since 1992, trainees must be paid at least £10,850, or £12,150 in inner London – except in the relatively rare cases where a firm is granted a waiver. The council decided, however, to institute a long-term review of the current system of training contracts in the light of concerns that firms applying for waivers are not providing proper training. Patricia Wynn Davies

Police hunt ostrich thieves

Police in Dorset are hunting thieves who shot and stole an ostrich from a farm. The huge bird was removed by the raiders through a hole in fencing they had cut at the ostrich farm at Sydling St Nicholas, near Dorchester, Dorset. Security at the farm has been stepped up and the owner has offered a £1,000 reward for the arrest and conviction of the offenders, Dorset police said.

people



Shady business: Young fashion designers had their work on display yesterday at the Royal College of Art show in London. Students such as Sarah Lawrence, whose work is pictured above, are hoping to follow in the footsteps of Alexander McQueen and John Galiano by making their mark on the world scene. Kenzo, Cerruti and Versace had representatives at the show. Photograph: Peter Macdiarmid

Design guru embarks for Millennium Central

Stephen Bayley, design guru, to use a phrase he likes using himself, has been appointed creative director to Millennium Central, the operators of the £600 million Millennium Exhibition in Greenwich. The company said he would start on detailed briefs for the design of the exhibition inside the Millennium Dome, which is supposed to be Britain's main celebration in 2000.

Mr Bayley, 45, was a key figure in making mass-market designs fashionable during the 1980s. He has worked with Terence Conran and helped set up a design centre at the Victoria and Albert Museum which included a centenary show called: "Coca-Cola: Designing a Megabrand." He was a founding director of the Design Museum in London where he clashed with Margaret Thatcher who criticised him for having too few British products on show.

In his new consultancy role, he will look at "innovative three-dimensional elements of the exhibition with-

in a range of styles and atmospheres". Millennium Central have refused to comment on what would go into the exhibition but said he would be looking at work from a number of designers.

Mr Bayley said: "This is a unique opportunity to show design is not a precious and exclusive subject but an essential one. Ever since I first read about the 'Great Exhibition of 1851', I've been entranced by the way successful exhibitions can change an entire nation's point of view. I believe it's possible to do that again."

He will also advise on the company's logo and the design of a national programme of events due to start in January 1998.

The Millennium Central chief executive, Jennie Page, said: "We are lucky to have Stephen working with us. There are very few people with the vision and understanding to be able to take forward the design of an exhibition of this scale."

The company advertised design contracts worth £30m this week. David Lister

Cinderella goes to war for new production

Matthew Bourne, the ballet director who dressed men in tutus for a hugely successful production of Swan Lake, plans an equally radical interpretation of Cinderella.

A corps de ballet of muscled male dancers brought packed houses for *Adventures in Motion* Pictures' *Swan Lake* last year.

Matthew Bourne's production ran longer than any previous commercial ballet in London and is now playing in Los Angeles. Purists will be relieved to hear that a ballerina will take the principal role of Cinderella in Bourne's adaptation of Prokofiev's classic.

One of the Royal Ballet's leading stars, Sarah Wildor, will guest for the season as the neglected beauty.

However, perhaps to prolong his reputation for the controversial and the surprising, it was rumoured that the fairy-tale will be re-located to the the Second World War era.

"There will be a twist in the tale, that's for sure," a spokesman said yesterday.

Ms Wildor's partner, Adam Cooper, has joined the company full time along with Lynn Seymour.

There will be a company of more than 30 dancers for the Matthew Bourne production at the Piccadilly Theatre, London from October.

Forensic hope for Saudi nurses



Lawyers representing two British nurses facing the death penalty in Saudi Arabia said yesterday they have "dramatic" new evidence which will prove that they are not the murderers of a fellow nurse.

The new evidence, which has been given to lawyers in Saudi Arabia, includes statements from experts in forensic medicine, psychiatry and psychology which the defence team claims will destroy the case against the women.

Defence lawyers said they will want to know why the knife with which Lucille McLauchlan (pictured left) and Deborah Parry (right) were supposed to have stabbed Yvonne Gifford 13 times contained no traces of blood.

Details of the new aggressive approach by the defence were unveiled yesterday at a press



conference in Glasgow. Earlier, hopes were raised when Frank Gifford, the brother of Yvonne and the man who can ask for the death penalty to be commuted if the nurses are found guilty, said in a newspaper interview that he had never sought capital punishment for the Britons.

Peter Watson, representing Ms McLauchlan, 31, from Dundee, said the three experts, who have not been named at this stage, would provide evidence to show that the nurses' confessions were "totally unreliable and unsafe."

He refused to go into specific details. Describing the confessions as "grossly unfair", Mr Watson said Ms McLauchlan had been questioned by a large number of male police officers over several days, deprived of sleep, physically and sexually assaulted and taken to the murder scene on three separate occasions. "All these factors would have increased the probability of false confession."

The families have recently returned from visiting the nurses in Saudi Arabia. Stan McLauchlan, 53, said: "We were able to report to her [Lucille] that there was certain forensic evidence. We were not able to tell her exactly what that forensic detail was. It gave both girls a lift to know these things are happening for them back home."

Steve Boggan

briefing

CONSUMERISM

Which? labels packaging on food as 'unreliable'

Nutritional information on food labels should be taken with a pinch of salt according to the Consumers' Association. Of 70 products tested in a survey not one label was completely correct and only one in 10 contained nutrients in the exact quantities stated. Nearly half had errors of more than 10 per cent – the margin allowed by trading standards officials.

The report published in *Which?* magazine said laboratory tests found that labels on Marks & Spencer ice cream were found to be 72 per cent out in their measurements of fat levels while Somerfield baked beans contained only half the fibre declared.

Heinz Weight Watchers baked beans contained 72 calories per 100g, not the 56 stated on the pack, it claimed.

Which? managing editor, Charlotte Ganne, said: "Nutritional labelling is not much help to consumers if it is not accurate. The quality of information must be better so shoppers are not misled."

Glenda Cooper

HEALTH

Aerobics can conquer fatigue



Aerobic exercise can help patients suffering from chronic fatigue syndrome regain their energy, researchers have claimed.

Dr Peter White and colleagues at St Bartholomew's Hospital in London said experiments on 66 volunteers showed aerobics helped sufferers reduce fatigue and feel better overall.

Reporting in the *British Medical Journal*, they said 16 out of 29 patients who took aerobic exercise felt better, as opposed to eight out of 30 who did flexibility exercises and relaxation therapy.

Those given flexibility classes were then offered the aerobic alternative. Three months later, 32 of 47 said they felt better and only one felt worse.

The term chronic fatigue syndrome (CFS) is used to classify a variety of symptoms whose causes are not entirely clear. Once derided as "yuppie flu", it is now becoming accepted and recognised by many doctors as a physical disorder.

CRIME

Cars still a soft option for thieves

It is still too easy for thieves to get into most cars despite the fitting of more security devices, the Consumers' Association has claimed. Motorists should always park in well-lit areas and never leave vehicle documents in the car, the association's *Which? Car* magazine advises.

The most secure vehicles are the Rover 100, the Peugeot 306, the Vauxhall Vectra, the Vauxhall Omega and the Citroen Synergie, the magazine concludes. Among the least secure are the Renault Clio 1.2 RL, the Suzuki Baleno 1.6 GLX, Seat Toledo 1.8 GLX and Saab 9000CS 2.0i.

INTERNET

Electronic wallet for cyberspace sales

Micropayments as little as 0.01 pence for buying and selling on the Internet might be made in the future using a new "electronic wallet" developed by BT.

The telecommunications giant yesterday unveiled its strategy to play a part in electronic trading, or "e-commerce" – a business which has for years appeared to be on the verge of explosive growth without ever taking off.

BT expects e-commerce, especially over the Internet, to grow massively within the next five years.

Among the systems on show from BT is an electronic wallet – actually a program which runs on a computer – that can send "electronic cash" over communications links.

So far, most hopes for e-commerce have foundered because computer users do not trust the security of communications links. They have also been unwilling to make "micropayments" such as one-hundredth of a pence, the typical kind of charge for to access sites on the Internet.

BT has also expressed the hope that it may become a "trusted third party", in other words an organisation that will certify electronic payments by ensuring the seller is who he or she claims to be. Charles Arthur

SAFETY

Road deaths fall to record low

The number of people killed on Britain's roads last year fell to an all-time annual low, it was announced yesterday.

The 3,598 deaths made 1996 the safest year on the roads since government records began in 1926. The number of serious injuries last year totalled 44,473 – the lowest since 1948.

EDUCATION

University pay lags behind

Pay for university employees from porters to professors lags well behind the going rate for comparable jobs in both the public and private sectors, says research published today. If benefits such as pensions or cars are counted, the gap is even wider.

The report, by Ray Management Consultants and reviewed by Lord Borrie, chairman of Labour's social justice commission, has been sent to Sir Ron Dearing who is reviewing higher education for the Government.

It shows that the highest earning academics are paid 70 per cent of private market rates and between 77 and 79 per cent of public rates. The equivalent figures for those in the middle are 79 per cent and 81 per cent. Average pay for professors in old universities is around £40,000 and for senior lecturers around £32,000, the report shows. Academics' pay in new universities is lower.

Some manual workers in old universities are paid only 63 per cent of market rates. Overall, their pay is better in new universities. Tom Wilson of the Association of University Teachers said: "There are postgraduates teaching on undergraduate courses who are earning less than a shelf-filler at Safeways." Judith Judd

THE INDEPENDENT ABROAD

Austria	£540	Norway	£15.00
Belgium	£960	Italy	£4.500
Canada	£500	Malta	£22.50
Cyprus	£51.20	Netherlands	£43 cents
Denmark	£11.15	Norway	£16.20
Finland	£11.15	Portugal	£5.225
France	£11.15	Spain	£5.225
Germany	£11.15	Sweden	£11.15
Greece	£11.15	Switzerland	£11.15
Luxembourg	£11.15	USA	£3.00

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Match 6 (Jackpot)	0		£3,643,650
Match 5 plus bonus ball	14	£80,080	£1,121,120
Match 5	288	£2,432	£700,416
Match 4	18,953	£77	£1,536,381
Match 3	425,859	£20	£8,517,180
TOTALS	446,114		£11,260,157

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Draw date: 4/6/97. The winning numbers: 18, 19, 21, 30, 34, 44. Bonus number: 6.

Total Sales: £25,034,690. Prize Fund: £11,265,610 (45% of ticket sales).

CATEGORY	NO. OF WINNERS	AMOUNT FOR EACH WINNER	TOTAL EACH TIER
Match 6 (Jackpot)	0		£3,643,650
Match 5 plus bonus ball	14	£80,080	£1,121,120
Match 5	288	£2,432	£700,416
Match 4	18,953	£77	£1,536,381
Match 3	425,859	£20	£8,517,180
TOTALS	446,114		£11,260,157

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TOTALS	446		

Farcical court scenes in drugs case

Kim Sengupta

He was known as "Target One" by Interpol and is accused of running Europe's biggest drugs ring.

Yesterday, the latest chapter in the saga of Curtis Warren began as the trial of the 32-year-old Liverpoolian was dramatically moved out of a Dutch court to a secret location because of safety fears.

And in a second twist, the three trial judges halted the proceedings to consider whether to adjourn the case for a second time amid claims by the defence lawyers that much of the information obtained by British police was illegally obtained and is inadmissible.

Mr Warren is charged in connection with an alleged drug-smuggling plot to flood Britain with £100m of

heroin, cocaine, ecstasy and hashish.

At the last minute, the venue for the trial was altered yesterday.

A satellite link was hastily arranged between the secret makeshift court and the Central Court so that journalists could follow proceedings on a wide screen.

Bizarrely, as the trial waited to resume, the Dutch authorities screened a Rolling Stones concert for reporters to watch.

On trial alongside Mr Warren are 38-year-old Stephen Mee, also from Liverpool, and Stephen Whitehead, 34, from Oldham, Greater Manchester. They are said to be the key

players in a European drugs ring operating on a vast scale.

Mr Warren's lawyer, Han Jahar, yesterday claimed that the cross-border police operation between Britain and the Netherlands had been "contaminated" because methods used in the United Kingdom were not recognised by the Dutch authorities.

UK Customs and police have denied that the information they passed on to the Netherlands came from an informant or from electronic bugging or a telephone company.

But the refusal of the authority to identify the source – a legitimate tac-

tic in the UK – has triggered calls for a more detailed review of the evidence before the trial continues.

Yesterday's adjournment was a repeat of events two months ago when the trial was halted after Mr Warren's lawyer successfully argued that the evidence against his client may have been "contaminated".

The defence lawyer maintained that methods used by British investigators to gather information on the Liverpool businessman rendered the prosecution null and void.

Four years ago, Mr Warren and a partner, Brian Charrington, 37, from Middlesbrough, were the defen-

dants when Britain's biggest criminal investigation collapsed over an alleged £250m drugs deal.

Mr Warren and Mr Charrington, it was alleged, had set up a deal with the Colombian Cali cartel to import 900 kilos of high-grade cocaine concealed in ingots of scrap.

Unknown to the pair they were already under surveillance by Customs and in a subsequent operation the drugs were seized and Mr Warren and 10 other men were charged.

Customs officers maintained that the evidence against both Mr Warren and Mr Charrington was extremely strong. But officers from the

North East Regional Crime Squad, claimed that Mr Charrington was a valued informant.

Sir John Cope, the then minister responsible for Customs, was persuaded that this was the case following a meeting chaired by Sir Nicholas Lyell, the then Attorney General, whose parliamentary private secretary Tim Devlin lobbied on Mr Charrington's behalf despite the fact that he was not his constituent. Mr Devlin had visited Mr Charrington in prison.

Charges against Mr Charrington were dropped. The key surveillance evidence against Mr Warren, of his meeting with an alleged Cali cartel

representative, Mario Halley, was ruled inadmissible. He and all but one member of the gang walked free.

After the case, Mr Warren set up in the Netherlands. But in October last year he was arrested by Dutch police near the Rotterdam Europort.

A raid on a ship in the dock led to the recovery of 800 kilos of Colombian cocaine, with a street value of £75m, secreted in aluminium ingots. Follow-up raids brought the total value to £100m and also led to the seizure of hand grenades, automatic weapons, and CS gas canisters.

One of the co-accused in the current case, Stephen Mee, from Liverpool, escaped from a prison van on the way to Manchester Crown Court in 1993, but was sentenced in absentia to 22 years in jail on charges of smuggling cocaine from Colombia.

Parent leaders refuse to quit charity

Lucy Ward
Education Correspondent

Officials at England's largest parents' group who were called on to step down by the Charity Commission, yesterday dug in their heels and refused to quit, despite calls from former trustees for them to resign and pay back all expenses.

As the controversy surrounding the National Confederation of Parents' Teacher Associations was hastily added to the agenda of a top-level Home Office meeting with the Chief Charity Commissioner, the three officers insisted they would stay put.

The Independent revealed yesterday that the Commission, which has just completed an inquiry into the charity, had written to its press officer, treasurer and membership secretary asking them to resign and seek urgent legal advice over paying back tens of thousands of pounds in salaries.

The Commission says the three – Margaret Morrissey, Andrew Smettham and Belinda Yaxley – were trustees at the time they took up their posts and have, therefore, contravened charity law by benefiting financially from their trusteeships. The officials admit they were trustees when appointed, but say they had stood down by the time they started their paid part-time jobs.

Two former trustees, who were sacked by the charity last year after calling for reform, last night demanded that the current ruling group be held responsible for any salaries and expenses paid in defiance of the Charity Commission advice.

Sean Rogers and Sandi Marshall, who were thrown off the NCPA's ruling body by a process dubbed a "kangaroo court" by the Charity Commission, said the three should "do the decent thing and go now".

Ms Marshall said: "I find it extraordinary that other trustees have not demanded these people's resignation. They were told in March by Charity Commission investigators that the position of these staff was untenable. I feel the Commission should now tell the trustees that by continuing to expend the charity money in this way, the trustees are making themselves liable for a bill."

The resignations row brings to boiling point years of unrest in the NCPA, which represents parents in over 11,000 schools.

In return, the NCPA – the largest and wealthiest parent's body in the country – acts as a national voice for parents, commenting on education policy and lobbying ministers.

NCPA chairman Judith Wood yesterday insisted the charity remained on an even keel. It has been given until 30 June by the Charity Commission to complete its own investigation into the affair.

The Commission's report is expected to be published next week. Charity Commission sources yesterday underlined their belief that the officials were still trustees when they took up their posts.



Ancient heritage, new future: A druid at Stonehenge for the summer solstice. Under new plans drawn up by English Heritage, access to the stones would be free of charge

Photograph: Glynn Griffiths

Druids to go free as Stonehenge plans to drop entrance charges

Stephen Goodwin
Heritage Correspondent

Stonehenge, sacred stones of the Druids and the most important Megalithic site in Europe, could soon become a truly public place once again.

Entry to the 5,000-year-old stone circle today costs £3.70 for an adult and under the Millennium Park scheme being pushed until yesterday by English Heritage and the Tussauds Group the ticket price would have nearly doubled.

But in a politically-astute move, Sir Jocelyn Stevens, chairman of heritage quango, has switched to the idea of free public access – a notion likely to appeal to the lottery-funded Millennium Commission, which is being asked for £20m, and to the Labour government.

Greater public access to the na-

tion's treasures is a basic tenet with Sir Jocelyn's new political master, Chris Smith, the Secretary of state for National Heritage.

English Heritage committed itself to improvements at Stonehenge after the site and visitor facilities on Salisbury Plain in Wiltshire, were condemned as a "national disgrace" in 1992 by a House of Commons committee. Sir Jocelyn made it a personal ambition of his chairmanship that people should be able to "touch the stones" again.

But the ambitious plan for a 6,000-acre Millennium Park on the Wiltshire downs, with Stonehenge at its heart, ran into problems over the £83m cost and criticism over the "Disneyland" trackless-train touring the stones.

The Millennium Commission, which is being asked to pay half the cost, had doubts about where the rest

of the money was coming from and over the public benefit from the scheme.

Under the revised plan, a main road running within 300 yards of the stones will still be grassed over and 2,000 acres of Wiltshire downland restored to a natural setting. But the Tussauds visitor centre will be moved from a site 3km from the stones to within 1km at Larkhill.

There will be no need for a train, parking will be free and visitors can walk to the stones. Tussauds, who will manage the site, will charge for entry to an interpretation centre, using virtual reality techniques, and there will also be retail and catering facilities.

The Millennium Commission will consider the revised plan next week, but it will be autumn before a decision on funding is made. If £20m is forthcoming from the lottery, Tus-

sauds will put in £10m, with remaining £10m coming from English Heritage and the National Trust, the major landowner.

"It will be a free site for the public's benefit," said Sir Jocelyn, who told Chris Smith about the change at a meeting last week.

Charging has been a feature at Stonehenge ever since the site was given to the nation early this century, and probably before that.

But even if approved by the Millennium Commission, the project still faces hurdles. Conservationists are certain to object to the resting of the visitor centre at Larkhill, within the World Heritage Site and close to a mysterious 2.5km-long Neolithic feature known as the Cursus.

Kate Fielden, secretary of the Avebury Society, whose interest extends to Stonehenge, said the em-

phasis had to be on removing all the 20th-century clutter – a commitment once made by Sir Jocelyn.

"It would be a tragedy for us to treat such an important site in such a shameful way. The object must be to restore the landscape around this monument to make it place that people can come to and go away uplifted."

According to Sir Jocelyn, the visitor centre would be in low-lying "dead ground" and all that would be visible from the stones would be the heads of visitors viewing the site from a roof gallery.

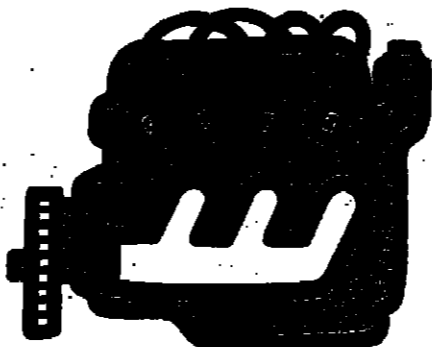
"The choice was to build the centre off the World Heritage Site and have transport, or to build on, out of sight, and let people walk." Doing the latter removed the "fair-ground" element of the train and allowed the stones their natural dignity, he said.



Jocelyn Stevens: Hoping for approval from millennium body



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Two little girls with a psychopath for a child minder



Julie Anne, 4, (left) and Kylie, 6, who died with their mother when Darren Carr (seen right, with policeman) set fire to their house



Main photograph: News Team

Glenda Cooper
Social Affairs Correspondent

When Oxfordshire social workers were warned that a psychopath was acting as a live-in child minder to two little girls at 19 Preston Road, they took no

action when they could find no such family at the address.

Had they bothered to check with the housing department they would have found that Kylie, 6, and Julie Anne, 4, lived at number 109. But they didn't check, and an independent in-

quiry following the deaths of the girls and their mother, Susan Hearmon, concluded that this "particular tragedy might have been averted".

The inquiry into the case of Darren Carr, who is serving a life sentence for manslaughter

after killing the mother and daughters, found that a "more rigorous approach" by social services could have removed Mr Carr from the house and distanced him from his victims.

As it was it was only months later when Kylie told her school

teacher that Carr, diagnosed as having a psychopathic disorder, was hitting her with a wooden spoon until she went to sleep that connections began to be made. Even then it took seven-

teen days for social workers to respond to a warning from

the school and, after they visited the house, they did not carry out a full risk assessment.

Professor Geneva Richardson, one of the panel of three brought into conduct the inquiry, told a press conference yesterday: "Despite the vul-

nerability of the family it was decided there were no child protection concerns. Within a month the family was dead."

Carr set light to the family's home after spreading petrol around the property. Susan Hearmon and her two children died through suffocation and Carr was convicted of manslaughter and jailed for life at Birmingham Crown Court in May last year.

Yesterday's report urged that local authorities in Berkshire and Oxfordshire - both of whom had cared for Carr since 1993 when he first received psychiatric care after attacking his mother with a hammer, should take action to review the provision of housing for former mental patients moving into the community, and increase the number of medium-secure beds "as a matter of urgency".

Two weeks before Carr moved into Preston Road a Mental Health Act assessment was carried out on him after he had appeared at a local hostel in a disturbed state, but there

was no suitable in-patient facility available locally.

The inquiry found that the provision of medium-secure beds was "totally inadequate" and there had been "inordinate and continuing delay" in purchasing new beds. It also advised a reassessment of housing plans for patients moving out into the community.

Oxfordshire County Council accepted that child protection measures were not adhered to and said an independent expert would conduct a further review of the case. The findings will be made public. Mary Robertson, director of Oxfordshire Social Services, said two social workers had been disciplined and had received a final warning after an examination of the mistakes they had made. One chose to resign while the other remains working for the authority in a lower position.

However, the inquiry noted that "there are very clear limits to the ability of mental health services" to deal with people such as Darren Carr.

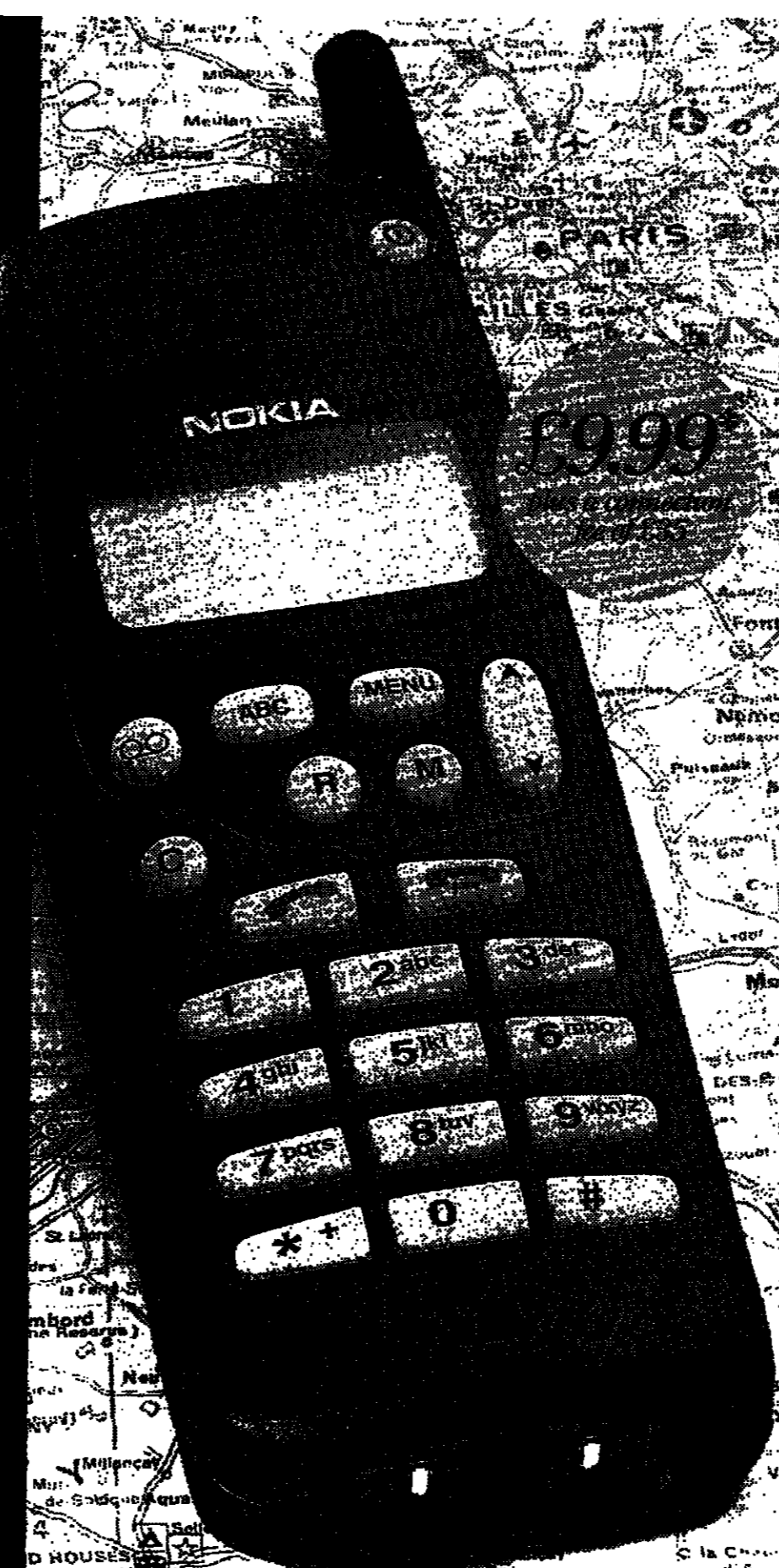
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ICI closes plant after gas leak

Nicholas Schoon

ICI was ordered to close down part of one of its chemical plants by the Government's Environment Agency after a large and dangerous leak of toxic gas.

The incident comes only two weeks after senior ICI managers were called in to meet top agency officials following serious pollution incidents at plants in the north-east and north-west. It is the first time ICI has been forced to shut down part of a plant since government regulators obtained this power in 1994.

The leak of titanium tetrachloride from the ICI-owned Tioxide plant, at Greatham near Hartlepool, produced a large cloud of hydrogen chloride mist, which is extremely acidic.

A road alongside the plant was closed and local people were warned by police to stay inside. There were no injuries.

Five hours later, in the small hours of yesterday, the company informed the Agency there had been an oil spill from a sister plant at Wilton, where petroleum products are refined from oil.

The Agency's operations director, Archie Robertson,

said: "It is outrageous that within weeks of ICI being called to a meeting ... where it promised to clean up its act, that its plants have been involved in two further leaks."

The company promised at that meeting to call in independent experts to investigate its management procedures.

"We will not allow it to restart until we are completely satisfied that the company will operate it safely," said Mr Robertson.

The plant makes the white powder pigment used in paints, plastics and paper. The leak came from a pipe in a heat exchanger, which uses water to cool a chemical pumped through it. ICI is legally obliged to carry out remedial work, review its maintenance and inspection procedures and recommend improvements.

The other, less serious, leak on the Wilton site happened after a fault in routine maintenance. An unknown quantity of light oil spilled into the drains and then flowed into an inlet on the Tees estuary. Most of it was stopped by a boom and then lifted off the water surface and mud using special absorbent materials.

ICI said it regretted the two latest incidents.

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news

A life measured in drams does not addle the brain

Jeremy Laurence
Health Editor

Heavy drinkers who consume up to eight pints of beer a day, or the equivalent in spirits, may live life in a blur but their mental functions are unaffected even after decades of boozing, according to research.

The surprising finding comes from a study of Australian veterans of the Second World War who are supposed to have acquired their taste for liquor in action and have enjoyed it in quantity over the 50 years since.

The study of 209 veterans whose drinking was assessed in 1982 and who were tested on a range of mental tasks nine years later in 1991 found the heaviest drinkers performed as well as the teetotalers and scans of their brains showed no sign of shrinkage due to alcohol.

In 1982, 85 per cent of the men drank at least once a week. On average, the drinkers consumed the equivalent of almost three pints of beer a day but one in five drank between four and eight pints a day, defined as a harmful level by the Australian National Health Council. A fifth drank between two-and-a-half and four pints a day, defined as "hazardous."

By 1991, the proportion drinking regularly had fallen to two-thirds. One in 10 was drinking at the harmful level of four



Whisky galore: War veterans who have been knocking it back for years are as mentally astute as teetotalers

to eight pints and a quarter were drinking at the hazardous level of two-and-a-half to four pints.

The researchers, from the Australian National University, who report their findings in the *British Medical Journal*, say the

heavy drinking has been attributed to comradeship, a desire to suppress memories of the war or "the atmosphere of the ubiquitous clubs of the Returned Servicemen's League."

They drank substantially more than other Australian

men of the same age, yet the veterans had no sign of brain atrophy, as shown by brain scans, performed no worse on cognitive tests and their mental performance was within the normal range for men of their age.

The authors admit their re-

sults may have been distorted by the death of those most susceptible to alcohol; more than a quarter of the original group died during the nine-year study.

A spokesman for the Portman group, a watchdog set up by the drinks industry, said: "No

organisation would ever recommend people can drink safely at these levels. But the study shows that some people can drink more than the recommended amount, while others should drink less."

Leading article, page 19



Health trusts deeply in red

Colin Brown
and Jeremy Laurence

One of Labour's key election pledges to cut waiting lists has been put at risk by the discovery that health authorities and hospital trusts are £300m in the red and facing cuts in services to break even.

Ministers are furious that the losses are worse than expected and blamed the outgoing Conservative government for allowing the deficits to mount before the election.

One Whitehall insider said: "They are worried about all those blue posters that went up in the election saying they would cut waiting lists. It will now be more difficult to fulfil that pledge."

The Treasury was also alarmed at the losses, and has warned ministers not to use the figures to plead for more money for the NHS.

The Chancellor, Gordon Brown, has ordered the Cabinet, including the Health Secretary, Frank Dobson, to live within his existing budget.

However, the extent of the deficits is so large that it may force Mr Brown to allow Mr Dobson an emergency injection of cash. The figures placed in the House of Commons library show health authorities had deficits totalling £185.8m by the end of 1996-7, about £30m more than expected and a steep rise on the previous figures.

In addition, trusts were a total £123m in the red, in breach of a statutory requirement to break even.

"More and more health authorities, not just in the urban areas but across the country, are not able to balance their books and the only way they can deal with the deficit is to reduce services for patients, reducing

services for the mentally ill, reducing cover for Aids and HIV patients, cutting day-care services in the community and even closing clinics," said Simon Hughes, the Liberal Democrat health spokesman.

The Health Minister, Alan Milburn, told *The Independent*: "In the light of these figures, no-one should be in any doubt about the challenges facing the new government in rescuing and renewing the NHS. We are under no illusions about the legacy we have inherited. That is why we have taken action to sort out the tangle of the internal market."

He said the figures showed the need for further measures to shift more resources from bureaucracy to front-line patient services. The Government has already cut £100m in administrative costs to spend on patient services, including reducing cancer waiting lists, but the deficit is three times that amount.

Those in the red include Anglian Harbours (£3.2m deficit) which was threatened with going broke; Dartford and Gravesham (£408,000) where a big privately-financed scheme is planned; Harrow and Hillingdon (£1m) where cuts in treatment for over 75s were dropped after a row; and Salford mental health services (£2m). They range from inner cities to middle England, including the world famous Bart's in the City of London (£4.7m), Jimmy's in Leeds (£4.8m) and North East Lincolnshire (£4.3m).

Health experts said it would increase the pressure for mergers of trusts. The merger of some NHS trusts could bring benefits to doctors and patients but would be unlikely to save money, the British Medical Association said.

IRA man admits police caught him out

Jason Bennett
Crime Correspondent

An IRA member who attempted to bring chaos to London yesterday admitted he had been "caught with his trousers down" by the police.

But Gerard Hanratty, 38, denied he had told a jury at the Old Bailey "a load of rubbish" to get off a bomb plot charge.

Mr Hanratty has told the court he was part of an IRA unit that was attempting to use fake bombs in order to trick the emergency services into cutting the electricity supply for most of London and the surrounding area.

But the prosecution accuses him and seven other men of planning to use explosives to blow up six electricity sub-stations in the South-East last year.

Nigel Sweeney, prosecuting, claimed Mr Hanratty was "telling a load of rubbish to get you all off, so you can get back home and carry on your war".

He said under the IRA code Mr Hanratty was regarded as a soldier in a war. "It is always nice to get back home and carry on fighting," he said.

Mr Hanratty replied that when he was arrested he decided he was "caught with my trousers down". The police then told him there were a number of explosive traces found in cars.

"At that point and at this point in time, I think you know and I know, there was never any explosives involved," he said. "Basically I got my back up.

I am being accused of conspiring to cause explosions. Myself and my colleagues are innocent of this charge - that is the reality."

Mr Hanratty said he decided to give evidence in the trial after claiming there were "a lot of distortions in the case".

"It is one thing to go to prison for a great expense of years. It is another thing for me

to go to jail for very extensive years on the basis of evidence which is not true," he said.

He told the court: "There was never any explosives or explosive traces in this case."

The prosecution alleges the IRA's plan to blow up six National Grid sub-stations was foiled by a joint police and security services operation. The case continues.

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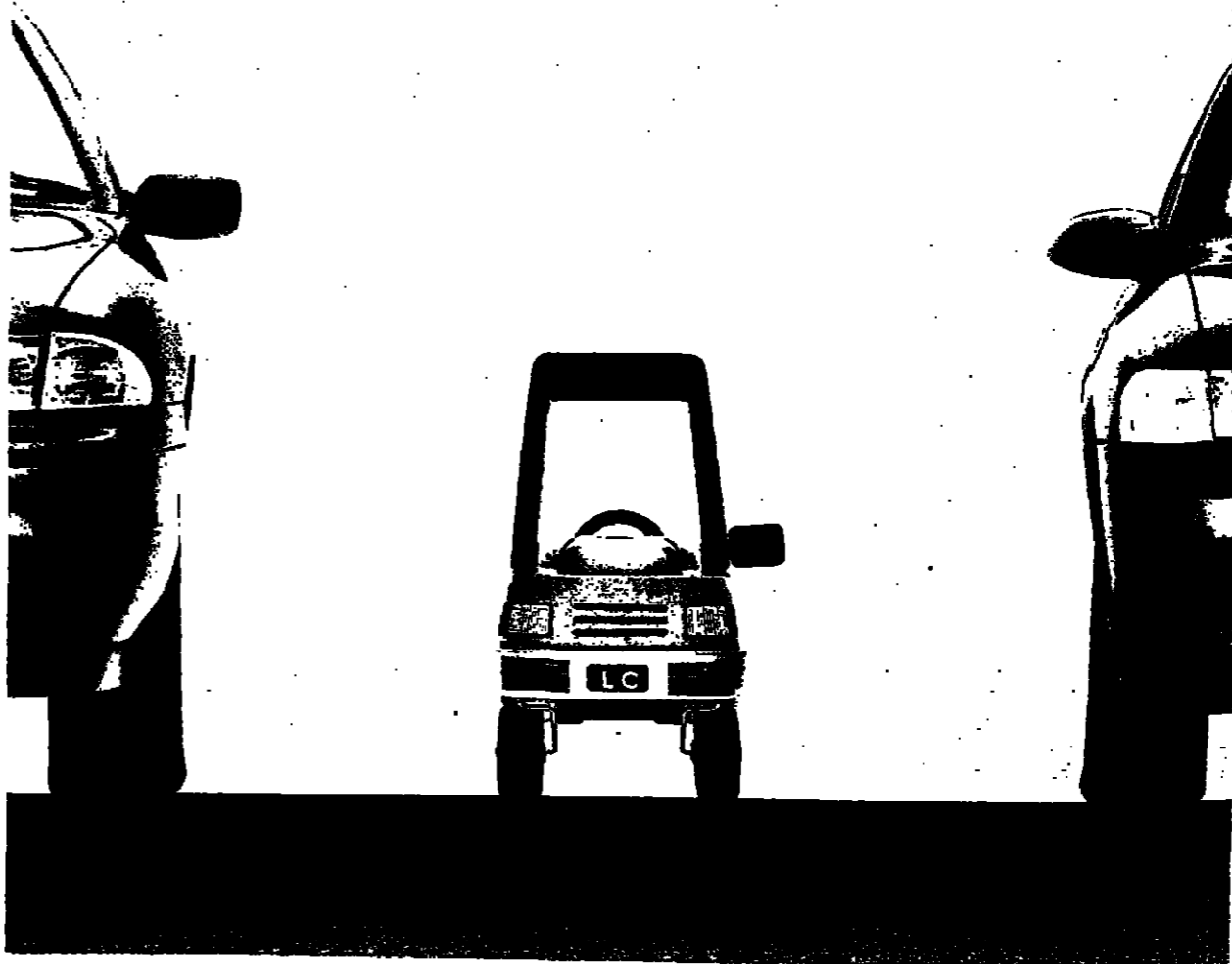
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Piggott silk sold by Sotheby's was false

Racing enthusiast spotted error in catalogue but auction house still conducted sale

Clare Comer

A horseracing enthusiast assumed he was backing a winner when he paid £5,520 for the silks worn by Lester Piggott on his first Derby win. Sotheby's knew he was not.

The London fine art auctioneers failed to inform potential purchasers at its first sale of racing memorabilia, last November, that the prize silks were not genuine, despite having been alerted to the fact three months earlier.

John King, from Plumpton, in Sussex, had contacted Sotheby's when he spotted that the silks photographed in the catalogue did not match the ones pictured in newspaper cuttings of Piggott's win on Never Say Die in the 1954 Derby.

The only footage of the day was black and white, but Piggott wore the colours of the horse's owner, Robert Sterling Clark: cerise and grey stripes with a blue band across the middle.

"It was quite plain to see that whereas the catalogue picture had the pale stripe down the middle, Lester had the dark stripe down the middle. Obviously the pattern itself was the same but the garments were different," Mr King tells BBC1's *Weekend Watchdog* tonight. "I rang Sotheby's because ... I thought rather than let them



Spot the difference: Lester Piggott after his 1954 Derby win and, far right, replicas of the silks worn by Piggott (left) and by Sotheby's (right). Piggott's silks have a grey central strip, rather than pink



make a mistake it would only take a minute to give them a ring to tell them and presumably then they would change the description in the catalogue," he adds. The catalogue for the Racing Sale, however, remained unchanged. The Marquess of Hartington, deputy chairman of

Sotheby's Holdings and former Senior Steward of the Jockey Club, flagged up the emotional high point of the sale in the foreword. He wrote: "We are particularly pleased to be able to offer in the same sale silks that were worn by Lester Piggott on the occasion of his

first Derby win." The silks were conservatively estimated to fetch between £300 and £500.

Now, seven months later, Sotheby's has confirmed that it had its doubts about the silks before the sale. A caption under the photo of the silk in the catalogue said it was "believed to be" the

one worn by Piggott in 1954. A spokesman for Sotheby's said: "We should have issued a pre-sale notice advising potential purchasers accordingly. We obviously regret we did not do this."

Mr King had spoken to Chantal Langley, at Sotheby's Newmarket office. She asked

him to send the newspaper cutting and said that they had had a phone call from someone in America claiming that they had the original silks.

Mr King did not hear from Sotheby's until three months after the sale, which fetched £1.7m. On 4 February, he received a let-

ter from Mrs Langley stating: "The catalogue description of the racing silks reflected Sotheby's opinion as to their likely provenance given the information provided by the seller."

Mr King commented on Sotheby's actions: "It tends to make you feel that they will sell

anything provided that the seller tells them that it's genuine."

Sotheby's is not legally obliged to give a refund, but has offered to do so. The unidentified purchaser is understood to be "keen to keep the silks" and "entirely happy with the way Sotheby's handled the matter".

Minister unmoved by Camelot threats

Steve Boggan

Threats by directors of Camelot to resign if they are ordered to repay their controversial bonuses will be ignored today by Chris Smith, Secretary of State for National Heritage, as part of continuing efforts to get tough with the lottery organiser.

Sources close to Mr Smith said he has been unmoved by reports that three of Camelot's top executives may quit today and by the announcement that three of the company's five shareholders will pull out if the operation is made "not-for-profit".

Following his meeting last Monday with Camelot chairman Sir George Russell, at which he expressed anger at bonuses of up to 90 per cent of salary being paid in a year when donations to good causes fell, Mr Smith is awaiting a response to three proposals aimed at restoring public faith in the lottery. He asked Camelot to repay

£7m of interest from unclaimed prizes to the good causes fund; suggested that the directors pay some or all of their bonuses to charity; and recommended paying all or some of all future bonuses to charity. On top of those proposals, Camelot was given six weeks to come up with plans for operating as a not-for-profit organisation.

Over the past three days, however, a number of stories appeared in the press, apparently designed to put pressure on Mr Smith to reconsider a position that looked increasingly radical in the light of independent research showing that Camelot runs the most successful and efficient lottery in the world. First, Sir Ernest Harrison, chairman of Racal, and Jeremy Marshall, chief executive of De La Rue, both of which own 22.5 per cent of Camelot, said they would not participate in a not-for-profit organisation. They were joined by GTEch, the

US shareholder responsible for lottery technology, which said it would not provide goods and services without a profit element.

Second, it was reported that Tim Holley, Camelot's chief executive who earned £590,000 last year; David Rigg, its £333,000-a-year communications director; and Peter Murphy, £361,000 finance director, were considering resigning today "to avoid further damage to the National Lottery", according to the *Financial Times*.

Camelot would neither confirm nor deny the reports yesterday. Neither would it say what response it planned to give to Mr Smith today.

A source within the department said Mr Smith's "main concern is that public confidence in the lottery should be restored so that it can continue to be a great success and raise more money for the good causes. He wants to draw a line under the whole episode as soon as possible."

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news

Goodbye Gary, as stage musical closes

David Lister
Arts Editor

The American humorist Neil Simon has suffered a rare reverse in his long career with the closure of the London stage musical of *The Goodbye Girl*, starring Gary Wilmot.

The show, based on the hit Neil Simon film, never recovered from poor reviews. It means just a two-month run for the musical, following in the wake of other musical closures including *Tommy* and *Sunset Boulevard*. Unlike those two, however, *The Goodbye Girl*, which used Simon's dialogue though he did not write the songs, received very poor reviews.

"The critics were very harsh, and it affected the show," a spokeswoman said yesterday. "It



The show won't go on: Gary Wilmot and Ann Crumb in a scene from Neil Simon's *The Goodbye Girl*

is very sad." The last night of the production will be 28 June, she said, and would not comment on the cost of early closure, but one estimate was six figures. It marks a rare flop for en-

tertainer Gary, 43, who has scored box office hits with virtually every show he has starred in, from *Me And My Girl* to *Copacabana* and *Carmen Jones*. *The Goodbye Girl* also stars

Aspects Of Love star Ann Crumb as the thirtysomething former chorus girl convinced from bitter experience that actors are a bad bet for love. The show represents a rare

West End flop for producer E & B Productions, whose recent successes include *Buddy* and *Jolson*. Another West End show is also set for early closure - *Steaming*, the revival of Nell

Dunay's 1980s all-women play set in a Turkish bath and starring comedienne Jenny Eclair. The show, now running at the Piccadilly Theatre, is to shut after just four weeks on 14 June.

Photograph: Tristram

Aitken horrified by pimp allegation

Kim Sengupta

Former cabinet minister Jonathan Aitken told a court yesterday how his 12-year-old son asked: "Daddy, what is a pimp?" after a front-page newspaper story accused him of attempting to procure prostitutes for Arab business contacts.

Mr Aitken described his shock at the story in the *Guardian*: "My reaction was to be horrified. I felt poleaxed... it was almost the equivalent of having a heart attack in terms of the shock and pain I felt on reading it."

Giving evidence on the second day of his libel action against the *Guardian* and Granada Television, makers of the *World in Action* programme, Mr Aitken continued: "I buried my head in my hands, and said to no one in particular that the *Guardian* have said on their front page I am a pimp. My son then made the polite inquiry 'What is a pimp, Daddy?'"

Mr Aitken, a former defence procurement minister and chief secretary to the Treasury, told the court that he had been on a skiing holiday in Switzerland when the article in the first edition of the newspaper was faxed to him late at night from London.

He said: "I had a sleepless night once I had read the *Guardian*'s story."

"I said to myself in the long, dark night of the soul I have got to stand and fight. I have got to fight these lies, and I will do so."

Mr Aitken, 54, said he got up at dawn, caught the early flight back to London, and wrote a speech about how he was going to wield "the sword of truth and the shield of fair play" - words that he was to use at a press conference announcing his libel action on 10 April 1995.

He told Mr Justice Popplewell that he had "scrupulously observed" government guidelines which stated that on taking public office as a minister in 1992 all private business must stop. He denied being involved in any private deals with Arab businessmen while serving as a minister.

Mr Aitken is suing the *Guardian* and Granada Television over articles printed in the newspaper in 1995, and broadcast in the documentary

series *World in Action*. The articles and the documentary claimed that Mr Aitken provided prostitutes for highly placed Saudis and had engaged in illegal arms trading.

His counsel, Charles Gray QC, said the allegations had "butchered" the politician's personal, political, and professional reputation.

Mr Aitken told the court: "The *Guardian* gave me no notice of what they were going to publish, nor warning of what they were going to publish and no opportunity to respond to the serious allegations that they were going to make."

The report had been headlined "Aitken tried to arrange girls for Saudi friends", the judge was told.

Turning to the *World in Action* programme "Jonathan of Arabia", broadcast in April 1995, Mr Aitken said: "I think they had a preconceived and pre-planned hatchet job."

This was character assassination TV, not current affairs TV. There was no attempt at balance or objectivity. It was a destroy Aitken time."

The former minister said he had received a letter from *World in Action* producer David Leigh saying the programme was preparing a "profile" of him and requesting an interview. He was given five days to respond.

Mr Aitken said that he eventually proposed that he appear on a live show where he could be interviewed to refute any allegations made against him after the documentary was screened.

But this offer was rejected by Granada because it did not conform to the traditional format of the programme.

Mr Aitken told the court that he had first met Prince Mohammed from the Saudi royal family during a business trip to Paris, and had kept in touch with him.

On a subsequent visit to the Saudi capital Riyadh he met Said Ayes an employee of the Prince.

Continuing his evidence, Mr Aitken told the court that he was introduced to his wife, Lolita, by Mr Ayes's mother. And Mr Ayes and his sister later became godparents to Mr and Mrs Aitken's two daughters.

The case continues.

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Redwood says Clarke must toe Emu line

Colin Brown
and Anthony Bevins

John Redwood raised the pace in the Tory leadership election campaign by warning Kenneth Clarke he would not be able to serve in a Redwood cabinet unless he toed the line, by opposing the European single currency.

As nominations closed with five candidates in the race, Mr Redwood said he would stop the civil war in the Tory party by imposing a clear policy to rule out British entry into the single currency.

"If they wish to be in the Shadow Cabinet, and I think Ken should be in the Shadow Cabinet, then they will be required to stick to the Shadow Cabinet line."

"I say it must be settled now in this leadership election. The party must make up its mind in a few days' time. If Ken and others say that keeping up a campaign for a single currency of some sort is more important than being in the Shadow Cabinet, I will respect that position."

Mr Redwood said his clear rejection of a single currency was the only way to stop the Tory party having "all the charm

of a Balkan battlefield". But his critics said it would deepen the splits in the party.

Mr Clarke's camp are hoping to take more than 50 votes in the first ballot next Tuesday and there has been continued speculation that some could leave the party if it swung decisively towards Euro-scepticism.

Mr Redwood's move to turn the leadership election into a ballot on the European policy was intended to outflank the other right-wing candidates. William Hague issued a glossy brochure which did not mention the issue.

In the jockeying for position, Mr Hague claimed more support among the new intake, including the former Asda boss, Archie Norman. Michael Howard recruited David Faber, one of the backers of Stephen Dorrell who dropped out in favour of Mr Clarke.

Some of Mr Hague's supporters, who might have been thought to have been natural Clarke backers, were saying yesterday that the former Chancellor could not unite the party, which is why they had opted for Mr Hague. It was also being said at Westminster by

Clarke supporters that Mr Clarke would gain a considerable push from the results of the constituency ballot.

On the right, the contest is still close between Mr Howard and Mr Lilley but Howard's supporters were saying they had made strong advances. Mr Redwood's supporters admitted Mr Howard's votes were holding up better than they had hoped.

However, Mr Hague distanced himself from Mr Clarke with proposers and sponsors from the right. With no outright winner expected next week, the outcome will depend on how the second preference votes break down in the second ballot on 17 June.



Harriet Harman, Secretary of State for Social Security, meeting pensioners at Southwark Town Hall yesterday. She vowed to bring in pension sharing for divorcing couples, ending the system whereby a divorcee can claim only a share of an ex-spouse's pension. Photograph: Philip Meech

Contenders and their supporters

Apart from the hard-core campaigners, who have declared their support for each of the Conservative leadership candidates, there are unofficial lists of potential supporters collected by each camp.

The Independent has identified more than 100 of the 164 Conservative MPs from those lists, and while some might be mistaken – particularly with MPs wanting to consult their local parties before casting their votes on Tuesday – they could provide a rough indication of the way in which the first-round voting might be weighted.

The closeness of Clarke, Hague and Howard is marked; but Lilley cannot yet be discounted – unless Howard beats him to become the lead right-winger in the first-round ballot. But with more than 40 votes uncommitted, the result could swing any way in what MPs acknowledge is a "lottery".

KEN CLARKE

David Curry (joint campaign manager); Michael Jack (joint campaign manager); with support declared by: Michael Mates, John Gummer, and Ian Taylor.

Possible supporters include: Tony Baldry, Banbury; Virginia Bottomley, SW Surrey; Peter Brooke, Cities of London and Westminster; Quentin Davies, Grantham and Stamford; Stephen Dorrell, Charnwood; Sir Peter Emery, E Devon; Michael Fabricant, Lichfield; Sir Norman Fowler, Sutton Coldfield; Edward Garnier, Harborough; Sir Alan Haselhurst, Saffron Walden; Sir Edward Heath, Old Bexley and Sidcup; Michael Heseltine, Henley; Douglas Hogg, Sleaford and North Hykeham; Robert Jackson, Wantage; Sir Geoffrey Johnson Smith, Walsden; Tom King, Bridgwater; Sir Peter Lloyd, Fareham; John MacGregor, S Norfolk; Sir David Madel, SW Bedfordshire; Richard Ottaway, Croydon S; Andrew Rowe, Faversham and Mid Kent; Peter Temple-Morris, Leominster; Robert Walker, N Dorset; Sir Ray Whitney, Wycombe; Shaun Woodward, Witney; and Sir George Young, NW Hampshire. (Total 32)

WILLIAM HAGUE

James Arbuthnot (campaign manager), Alan Duncan, Nigel Evans, James Paice, Tim Yeo, Roger Gale, Nick Hawkins; Humfrey Malins.

Possible supporters: Peter Michael Antram, Davizes; Peter Bottomley, Worthing W; Ian Bruce, South Dorset; James Clappison, Hertsmere; Geoffrey Clifton-Brown, Cotswold; David Heath-Brown, coast-Amory and Amersham; Julie Chesham, Bromsgrove; Tim Kirkbride, E Worthing and Shoreham; Sir Nicholas Lyell, NE Bedfordshire; John Maples, Stradford-on-Avon; Malcolm Moss, NE Cambridgeshire; Archie Norman, Tunbridge Wells; Richard Page, SW Hertfordshire; Eric Pickles, Brentwood and Ongar; David Prior, N Norfolk; Jonathan Sayeed,

Mid Bedfordshire; Sir Peter Tapeell, Louth and Horncastle. (Total 27)

MICHAEL HOWARD

Sir Michael Spicer (campaign manager); Tim Collins; David Davis; David Maclean; Liam Fox; Oliver Heald; David Lidington; Patrick Nicholls; Francis Maude; James Cran; Christopher Chope; Andrew Lansley; Christopher Fraser. Possible supporters: Sir Richard Body, Boston and Skegness; Simon Burns, W Cheshire; Alan Clark, Kensington and Chelsea; David Faber, Westbury; Teresa Gorman, Billerica; John Greenway, Ryedale; Philip Hammond, Runnymede and Weybridge; Eleanor Laing, Epping Forest; Edward Leigh, Gainsborough; Theresa May, Maidenhead; Owen Paterson, N Shropshire; Desmond Swayne, New Forest W; John Taylor, Solihull; Sir Teddy Taylor, Rochford and Southend E; David Tredinnick, Bosworth; Nicholas Winterton, Macclesfield. (Total 30)

PETER LILLEY

Eric Forth (campaign manager); Gillian Shephard; David Willetts; Sir Patrick Cormack; John Whittingdale; David Amess; Bernard Jenkin; Nigel Waterson; Gerald Howarth; Andrew Tyrie; Nick Gibb; John Bercow. Possible supporters: Michael Colvin, Romsey; Piers Merchant, Beckenham; Robert Syms, Poole; Ann Widdecombe, Maidstone and the Weald; Ann Winterton, Congleton. (Total 18)

JOHN REDWOOD

Iain Duncan Smith (campaign manager); Angela Browning; Marion Roe; Andrew Hunter; Julian Brazier; David Wilshire; John Wilkinson; Julian Lewis; Oliver Letwin; Howard Flight; Laurence Robertson. (Total 12)

Unidentified: Peter Alnsworth, E Surrey; David Atkinson, Bournemouth E; Peter Atkinson, Hacham; Sir Paul Beresford, Mole Valley; Crispin Blund, Reigate; Tim Boswell, Daventry; Graham Brady, Altrincham and Sale W; John Butterfill, Bournemouth W; William Cash, Stone; Sir Sydney Chapman, Chippling Barnet; Michael Clark, Rayleigh; Stephen Day, Cheddar; Michael Fallon, Sevenoaks; Christopher Gill, Ludlow; Alistair Goodlad, Eddisbury; James Gray, N Wiltshire; Damian Green, Ashford; Dominic Grieve, Beaconsfield; Sir Archie Hamilton, Epsom and Ewell; John Hayes, S Holland and the Deepings; John Horam, Orpington; Robert Kay, Salisbury; Michael Lord, Central Suffolk and N Ipswich; Peter Luff, Mid Worcestershire; John Major, Huntingdon; Brian Mawhinney, Vale of Glamorgan; Anne McIntosh, Vale of York; Andrew Mackay, Bracknell; Patrick McLoughlin, W Derbyshire; Andrew Robathan, Blaby; David Ruffley, Bury St Edmunds; Richard Shepherd, Aldridge; Brownhills; Keith Simpson, Mid Norfolk; Nicholas Soames, Mid Sussex; Caroline Spelman, Meriden; Richard Spring, W Suffolk; Nick St Aubyn, Gaidford; Sir John Stanley, Tonbridge and Malling; Anthony Steen, Totnes; Gary Street, SW Devon; John Townend, E Yorkshire; Michael Tind, Windsor; Peter Viggers, Gosport; Charles Wardle, Bechill and Bettle; Bowen Wells, Hertford and Stortford. (Total 45)

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news



As it was... Children playing football on a field in Beddington, near Croydon, in 1980

Ian Burrell

They are the lungs of the inner cities and the focal point of village life. But a report revealing the mass transformation of Britain's playing fields into building sites and housing estates yesterday prompted warnings for the health of future generations.

Ministers are urgently preparing measures to stop further sales of playing fields, as it emerged that more than 1,250 sites have been sold or offered to developers for housing and other building projects.

An unpublished report by the Central Council for Physical Recreation reveals the extent to which schools, local authorities, health trusts, railways and private companies have raised cash by selling off their sports grounds.

The report reveals that in the last 12 years, 1,272 playing fields have been developed or face development. A staggering 251 sites have been proposed for sale in the last eight months since a requirement to consult the Sports Council about prospective sales was introduced.

David Blunkett, the Secretary of State for Education, and Chris Smith, Secretary of State for National Heritage, are preparing measures to reverse the trend "as a matter of urgency".

Restrictions will probably be introduced to make further sales of sports fields possible only when there is no local support for their retention. Nigel Hook, technical services director of the CCPR, said many primary school playing fields of less than one acre had been sold without notification and were not in-

cluded in the figures. "It's a disgrace. The legislation encourages local authorities to sell off playing fields which could be used by young people. No wonder youth sports development is withering on the vine," he said.

The Labour peer Lord Dormand of Easington has been lobbying government ministers to do something to stop the sell-off.

"It is absolutely scandalous," he said. "The practice of selling off the playing fields has not just been promoted but actively encouraged by the

previous government." He said new legislation was needed to ensure sales could not go ahead without government approval. "If it is left to the local authorities, some of them would be more interested in the money."

Among the sites threatened by developers is the former sports field of the Foster's Boys Grammar School in Sherbourne, Dorset. Plans by Dorset County Council to turn the nine-acre site into an estate of 107 homes have infuriated local people.

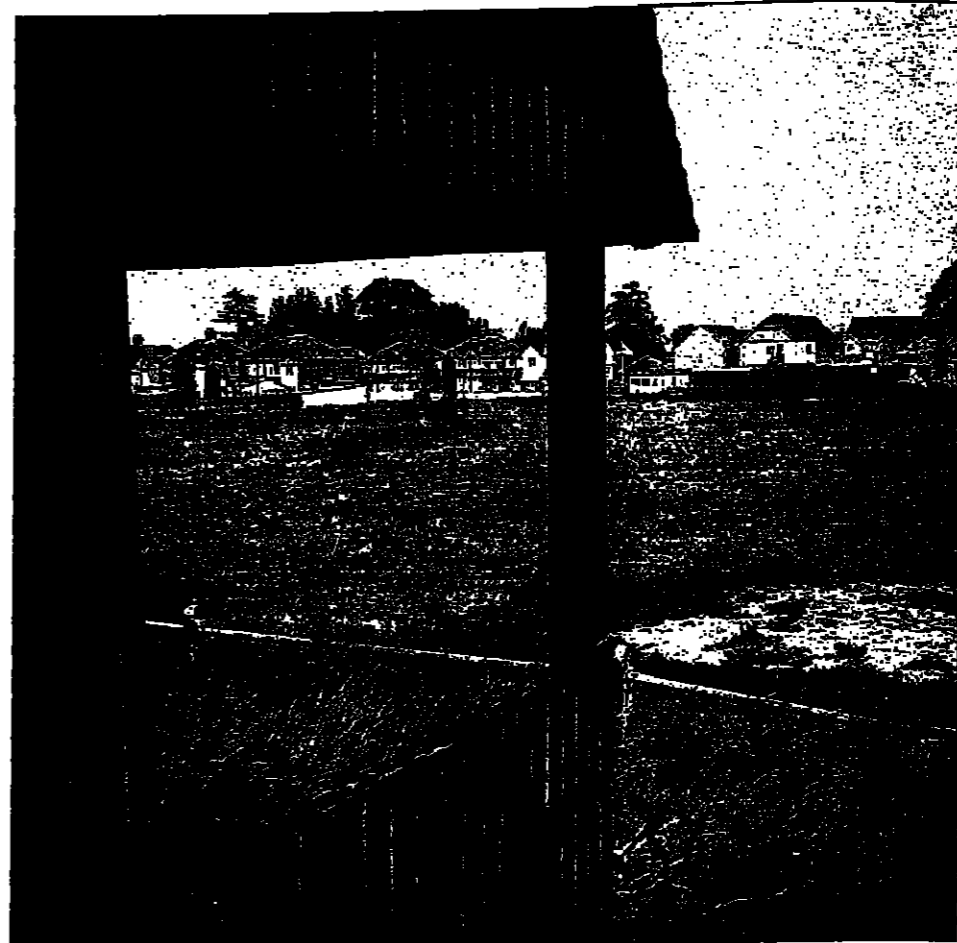
Doug Hoskins, leader of the "Fight for Foster's Field" campaign,

said it was the only green site left in the town for informal recreation. "We want it to be like an old-style park for everybody from eight to eighty," he said. "In the last 18 months, 52 houses have been given planning permission around the perimeter of the field. They are crowding in houses everywhere they can."

In Shropshire, campaigners are angry at plans by the West Midlands Regional Health Authority to build houses on land alongside the Royal Shrewsbury hospital which was once a sports field for hospital employees.

The rush to sell off playing fields began with the Department of Education's Circular 909 introduced in 1981. Despite a succession of promises by ministers to reverse the trend, the sales have continued.

Don Earley, deputy director of the National Playing Fields Association, called for new laws to give sports grounds the same protection from development given to green belt land. "In fitness terms, you end up as a less healthy nation," he said, "and Britain will have less chance of producing outstanding performers."



And now... A housing estate encroaches on the greenery Photograph: Adrian Dennis

Grobbelaar retrial told of goalkeepers' crucial role

Michael Streeter

The former Liverpool goalkeeper Bruce Grobbelaar received £40,000 as "corrupt reward" for taking part in a conspiracy with fellow-professional John Fashanu to fix Premier League football matches, a court was told yesterday.

Mr Grobbelaar and Mr Fashanu, together with the former Wimbledon goalkeeper

Hans Segers and Malaysian businessman Heng Suan Lim, are being re-tried on corruption charges at Winchester Crown Court after a jury failed to reach a verdict in a seven-week hearing earlier this year.

Outlining the case to the new jury of six men and six women, David Calvert Smith QC, for the prosecution, said the two goalkeepers had been recruited by a Far Eastern syn-

dicate to influence the results of matches on which they were betting. Mr Lim, known as Richard, was the syndicate's representative in London and Mr Fashanu, former Wimbledon player and *Gladiators* presenter, was the "middleman" who later tried to take over direct dealing with the syndicate himself, said Mr Calvert Smith.

The conspiracy involved Mr Grobbelaar, now with Plymouth

Argyle, receiving large sums of money for agreeing to influence matches in which he played for Liverpool and later Southampton. Mr Calvert Smith said the intention was "that Grobbelaar would do what he could on the pitch to influence the results of games in order that the syndicate could more safely bet on their result".

While it was obvious that no one player could alone guar-

antee the result of a match, a goalkeeper was the last line of defence, someone who could make genuine mistakes as well as brilliant saves and was the single most important player for a syndicate to recruit, he said.

The prosecution accepted that Mr Grobbelaar's own and competitive instincts on the field may have frustrated the syndicate's aims. But if a conspiracy did exist, said Mr

Calvert Smith, then "it does not matter whether the actual result of the match owed everything, little or nothing to the assistance of the corrupt player".

The £40,000 paid to Mr Grobbelaar followed a match between Liverpool and Newcastle in November 1993 and the money was paid to him at an address used by Mr Fashanu.

Mr Segers was involved in a similar parallel conspiracy with

Mr Lim and Mr Fashanu and received up to £100,000, said Mr Calvert Smith. The defendant had told a "pack of lies" to police that the money came from car crime when he was a young man in the Netherlands, and had told further lies at the first trial by claiming the cash in fact came from his Dutch associate in a tie-manufacturing business. The prosecution would call the associate - Alphonse

Thuis - as a witness who would state that he "never paid Mr Segers a penny in cash".

Mr Grobbelaar, Mr Fashanu and Mr Lim deny conspiring to give or receive money to fix matches. Mr Fashanu, Mr Lim and Mr Segers deny a similar charge. Mr Grobbelaar denies a separate charge of receiving £2,000 connected to alleged match-fixing. The case continues.

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Straw curbs migrants' bogus advisers

Jason Bennett
Crime Correspondent

A clampdown on hundreds of bogus immigration advisers, who dupe vulnerable people out of thousands of pounds, is to be launched by the Government, it was revealed yesterday.

The Home Office is expected to introduce a licensing system and may appoint an inspectorate to prevent further abuses. The move follows a

huge upsurge in the number of people, many of whom have no qualifications, setting themselves up as paid-for consultants. There have been cases in which people have paid as much as £4,000 to £5,000 for "advice" on issues such as visas, work and marriage, much of which is wrong or fraudulent.

Jack Straw, the Home Secretary, said yesterday: "These so-called advisers are making a killing out of pursuing bogus ap-

plications." He also announced the scrapping of the much criticised "primary purpose" immigration rule that has barred entry to thousands of people married to British citizens.

The rule requires foreigners married to British citizens to prove that it is not the primary purpose of the marriage to gain entrance to Britain. The change will result in up to 1,000 people awaiting appeals being granted immediate entrance to

Britain and an estimated further 500 who fall foul of the rule every year being allowed in.

On the question of immigration advisers, Mr Straw said that among the measures likely to be introduced are the introduction of licensing or a register to ensure that only qualified and approved people offered assistance. An inspectorate may also be created to police the system.

Claude Moraes, director of

the Joint Council for the Welfare of Immigrants, an organisation which is approved by the Law Society, said there were hundreds of bogus advisers in every inner-city area.

Their charges ranged from a few hundred pounds to several thousand, and they often gave incorrect advice or charged for filling in standard forms and making unnecessary telephone calls.

He said: "These people are

taking huge amounts of money from vulnerable people. They know there's a massive market and money to be made. A consultant can set themselves up overnight and do not need any qualifications or training."

Mr Moraes added that he welcomed the decision to abandon the primary purpose rule.

Under the changes announced by Mr Straw, spouses applying to live in the UK with their British husband or wife will

no longer have to prove that it is their main purpose is not the gaining of access to this country. Mr Straw said: "This pernicious rule has penalised genuine marriages, divided families and unnecessarily increased the administrative burden on the immigration system."

Applicants will still have to show that the marriage is genuine, that both parties have met, and that the couple are financially self-sufficient. They will

also be a year's probationary period.

The Home Office is also looking at ways of making the immigration system fairer for people wanting to visit Britain for weddings and funerals.

In a further development, the Home Office plans to tighten up the issue of birth certificates after a number of cases in which criminals have fraudulently used them to assume a false identity.

Boardroom cowboys to be targeted

Kathy Marks

Cowboy directors whose companies fail through dishonesty or negligence leaving customers financially devastated are to be targeted in a new crackdown, Nigel Griffiths, the consumer affairs minister, announced yesterday.

Mr Griffiths was presenting the annual report of the Department of Trade and Industry's Insolvency Service, which shows that 1,040 directors were disqualified by the courts in the last financial year, a rise of 43 per cent on the 727 directors banned in the previous year.

Mr Griffiths said there would be no respite under the new government for unscrupulous business people.

"I want to spell out to the cowboys that Labour is going to be even tougher on them in future," he said.

"My message to people who are ripping off consumers is that there is no place for you in British business."

He added that he planned to "name and shame" rogue directors who had been disqualified, in the hope that publicity about their actions would deter other fly-by-nights.

DTI officials say that areas of business in which companies most frequently collapse include the building trade, plumbers, double-glazingsalesmen, car mechanics and cloth-

ing companies. Among examples given by the department yesterday was that of Sharman Communications, a travel agency and tour operator that went into voluntary liquidation in July 1994, after only four months of trading.

The company, which ran up debts of £409,000, had advertised cheap summer flights in newspaper travel sections.

Most of its 700 customers had yet to take the holidays and lost their deposits. The two directors were disqualified in the High Court from holding other directorships for 12 years.

The Insolvency Service, which investigates failed companies with a view to bringing disqualification proceedings in the courts, took action against 1,430 directors last year, compared to 1,395 the previous year.

Directors can be banned for between 2 and 15 years for unfit conduct.

Mr Griffiths said consumers were particularly vulnerable when directors of an insolvent company continued trading or when a "phoenix" company rose from the ashes of a failed one, using its assets.

"We want the Insolvency Service to be very much focused on protecting consumers and other creditors, and not in any way to be defending the rights of unscrupulous traders and business people," he said.

Dame Ninette, queen of the Royal Ballet, still leads the dance at 99



A dance to the music of time: Dame Ninette de Valois, dancer, teacher and choreographer, at rehearsals in Covent Garden, where she was principal dancer at the Royal Opera House in 1919; in 1931 she founded the company which was to become the Royal Ballet. Affectionately known as 'Madame', she celebrates her 99th birthday today Photograph: Laurie Lewis

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international

Argentina backs off Falklands claim

The Foreign minister tells **Phil Davison** his views of new Labour

Buenos Aires — Argentinian Foreign Minister Guido di Tella has hinted that Argentina wants to shelve its claim to sovereignty over the Falkland Islands and instead seek concrete agreements on trade, tourism, communications and other contacts with the islands.

"We are very flexible. Probably what you think we want, we don't. Maybe the things we want are the things you [Britain] will yield," he said.

"We do not want to run the lives of the islanders. If an agreement is found, I imagine the islanders would hardly notice."

Mr di Tella said he would suggest to the Foreign Secretary, Robin Cook, that they establish regular meetings at the Foreign Secretary's official residence at Chevening or elsewhere. A meeting with Mr Cook had been scheduled for next week, but it has been postponed due to the Foreign Secretary's busy diary.

The comments follow a meeting earlier this year between Mr di Tella and Malcolm Rifkind, the then Foreign Secretary, where diplomatic sources say the idea of dropping the Argentinian claim was discussed, but did not come to fruition.

"We had a very important meeting in Chevening in January," the Foreign Minister said in his first interview with a British newspaper since Labour's victory. "But it was very near the election so we didn't have time to spell out the positive consequences of that meeting. It was too short a meeting. I think they understood better our views and limitations, and vice versa."

"I hope we will be invited again to Chevening. I had also suggested to Mr [Malcolm] Rifkind [the former Foreign Secretary] that we have week-long meetings on a beach on a beautiful Caribbean island."

Contradicting recent Argentinian press reports, he said he did not foresee a major shift in Falklands policy by the Labour government and would not push Argentina's claim to sovereignty during his talks with Mr Cook. "My aspirations at the first meeting will be much more modest."

"We are fully aware that no British



Keep the flag flying: The Queen's birthday parade in Stanley, Falkland Islanders are resistant to the idea of contact with Argentina
Photograph: Andrew Marshall

government will ever take a substantive decision on this issue without the approval of the islanders. The islanders have acquired a *de facto* veto. It's them we have to convince" of the benefits of contacts with Argentina.

However, the islanders are highly resistant to the idea of contacts, and they will hold elections to their legislative council later this year. But diplomatic sources say that they do not rule out some pressure from the Government in London on the Falklands to ease the ban on contacts with Argentina.

"I think we [Britain and Argentina] will reach a plateau relatively soon where we agree to disagree and we allow trade and communica-

tions [between Argentina and the islands].

"Britain invented this idea. You agree that disagreement exists and you shake hands. It's a non sequitur, it's just not logical to think that because we want tourists to go back and forth that we are talking about the issue of sovereignty," said Mr di Tella.

Aides to the Foreign Minister, however, later noted that he is acutely aware of not embarrassing the Labour government or giving the conservative opposition ammunition that could delay progress in efforts to reach a Falklands solution.

Press reports earlier this year saying Argentina expected more flexibility from a Labour government

backfired from Argentina's point of view and brought a tough rebuttal from Tony Blair's government, the aides said.

"The change in government has meant no change whatsoever in policies. The only difference is that Labour has a majority of over 100 in parliament," Mr di Tella said. "In policies, we don't see any difference between the Conservative Party and the Labour Party."

"Some people in my country thought that a Labour government would be softer but they were thinking of the old Labour. The new Labour's policies are more similar to the Conservatives' than most people are aware. Kinnock's Labour may have made a difference but Mr

Blair's Labour party is more similar to Conservative policies."

When he met the then shadow Foreign Secretary earlier this year, Mr Cook "made it clear, on this [Falklands sovereignty] issue, he would not change British policy. I said all I hope is that you continue British policy. We advanced quite a bit with the Conservatives."

The Foreign Minister said he hoped the Blair government would go ahead with John Major's invitation for the Argentinian President, Carlos Menem, to visit Britain officially for the first time, hopefully next year.

"President Menem has visited every important country in the world except Britain," he said. He also pressed for progress on

the Falklands issue before 1999, when Mr Menem — barred from running again — will hand over to a new president. "There probably will be a continuation of the same policy but, if anything, the [Argentinian] line will be harder," he warned.

Mr di Tella described the new British Foreign Secretary as "very sharp, very intelligent, he goes very quickly to the point. I've met him twice before, the last time a month-and-a-half before the elections."

Mr di Tella, known for his so-called "Charm Offensive" of sending Christmas cards and other messages to the Falklanders, is considered aloof and arrogant even by Argentinians. He refused to accept that the Falkland Islanders can't

stand him — "they're under peer pressure to say they dislike me but eventually they'll come to appreciate me" — and suggested the Union flag meant less to Britons or Falklanders than his own flag does to Argentinians.

He would not be drawn on Mr Menem's past remarks that the Argentinian flag would fly over the Falklands, even if alongside the Union flag, by 2000.

"This matter of flags. You can go in London and buy pants with the Union Jack. If you do that here with ours, you go to prison for lack of respect," he said, appearing to imply that seeing his flag over the islands would be more symbolic than significant.

Mr di Tella, Foreign Minister for the past six years, compared the lack of communication between Argentina and the islands with the situation between the Koreans or between Taiwan and China. "This position, unfortunately, doesn't give the islanders a good image. In a world where everybody wants to talk to everybody else, some people don't want to talk to a neighbour."

"It's difficult to hate for ever. It's very tiring and then you find you are very tired and you don't know why you hate. It's a bit pitiful, really." He described the islanders as "indeed part of the problem but a significant part of the solution."

Migrants change their minds about Australia

Robert Milliken
Sydney

A warm love affair between Hong Kong immigrants and Australia has turned cool. Less than four weeks before Britain hands Hong Kong over to China, thousands of Chinese are packing their bags to leave the lucky country, convinced they can make more money back in the former British colony, even under communist rule.

"When Margaret Thatcher announced in the Eighties that Britain would give up Hong Kong, it was fashionable to emigrate, to get out," said Owen Yue, 40, a transport planner who arrived in Sydney from Hong Kong in 1990. "Now, it's the fashion to go back."

The figures tell their own story. From being almost a non-starter as a source of Australian immigrants a few years ago, Hong Kong last year was the fourth largest source country after New Zealand, Britain and China.

But, in the six months to last December, just as the handover deadline loomed closer, applications to emigrate to Australia dropped by one-third.

And even those granted Australian residency had already begun testing the waters back home. According to the Hong Kong Trade Development Council, a Hong Kong government body, almost one-third of

the 100,000 Hong Kong community in Australia went back to the colony to work last year, while retaining their Australian passports.

The immigrants of the Nineties are a different breed from the first wave of Chinese drawn by the Australian gold rush of the 1850s. In the intervening years came the White Australia immigration policy which barred non-Europeans until it was abolished only 25 years ago.

The latest wave of Hong Kong immigrants are highly-skilled professionals and rich business people, who are expected to transfer about A\$780m (£370m) from Hong Kong to Australia this year. Much of this will be invested in

properties such as the high-rise apartment buildings that are changing the skylines of big cities like Sydney and Melbourne, or in restaurants such as the Shark Fin in Sydney's Chinatown, an establishment so vast that the waiters communicate with each other on walkie-talkies.

But for many professional people, such as lawyers, engineers and accountants, job prospects have been disappointing in Australia, where unemployment has not fallen below 8 per cent since the recession of the early Nineties. Drawn to Australia for its political stability at a time of uncertainty in Hong Kong, these people have decided that life in Hong Kong is likely to go on as

normal after 1 July, at least for a few years, and are going back to realise their earning capacity, leaving their families behind in Australia.

Lawyers, for example, can make up to six times more in Hong Kong than in Australia, where tax is tighter. "A common refrain is that Australia is the best place to live, but not the best to make money," said Catherine Chung, a Hong Kong-born Sydney solicitor.

A more unsavoury impact on Hong Kong immigration has come from the rise of racial politics in Australia, led by Pauline Hanson, an Independent MP from Queensland. Since her election to federal parliament last year, Mrs Hanson has waged an increasingly bitter and polarising campaign against Asian immigration, welfare to Aborigines and foreign investment.

The Australian press have attacked John Howard, the prime minister, for failing to repudiate Mrs Hanson strongly enough. Her simplistic brand of xenophobia and nationalism has drawn large crowds at her speaking engagements, especially in depressed rural areas. It has also caused alarm in Asia, particularly in Hong Kong, where some prospective immigrants have added the "Hanson phenomenon" to their list of reasons to think twice about emigrating down under.



Unwelcome message: John Howard (left) has been attacked for being too soft on racist MP Pauline Hanson

Peking names top envoy for HK

Reuter — China yesterday announced the appointment of seasoned diplomat Ma Yuzhen as its top civilian official in Hong Kong after the British colony reverts to rule by China at midnight on 30 June.

Peking had decided to appoint Mr Ma as Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region from 1 July, a ministry spokesman said. Mr Ma and the garrison commander, General Liu Zhenwu, will be Peking's most senior officials in Hong Kong after the handover.

Hong Kong's domestic affairs will be run by Hong Kong residents after the handover, but foreign affairs and defence will remain

the central government's turf. Mr Ma, 62, has been vice-minister of the Information Office of the State Council — or cabinet — since 1995. He served as Chinese ambassador to Britain in 1991-95, consul-general in Los Angeles in 1988-91, and director of the Foreign Ministry's information department in 1984-88. "Ma Yuzhen belongs to the new generation of diplomats... He's open-minded," said a former diplomat. China's old generation of diplomats consisted mainly of generals and bureaucrats.

In 1995, Hong Kong's *South China Morning Post* described Mr Ma as "the sort of Chinese diplomat Western capitals love to play host to, affable, charming and not averse to talking quietly off-the-record with

politicians and businessmen". He was a "well-liked senior diplomat, a favourite of Lady Thatcher," the *Post* said.

The Hong Kong government welcomed the announcement. "The community will be glad that the appointment of Mr Ma Yuzhen has been announced," the government said in a statement. "Hong Kong people will no doubt be interested to hear more details of the establishment of this new office, including the size of its staff and its functions," the statement said.

Yeung Sum, vice-chairman of the Democratic Party, said Mr Ma's diplomatic experience in London and his understanding of the handover issues made him an appropriate person for the job.

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US chief of defense calls time on scandal

Mary Dejevsky
Washington

In a decision likely to arouse as much controversy as it is intended to stem, the United States defense secretary, William Cohen, has moved to prevent the accumulating revelations about sexual misconduct in the US armed forces from cutting a swathe through the ranks of senior officers.

Confirming that his favoured candidate to become the next chief of joint staffs, General Joseph Ralston, committed adultery during his meteoric air force career, Mr Cohen said he had decided to stand by the general's candidacy.

In an interview published in the *Washington Post*, Mr Cohen—who has strongly defended the enforcement of rigorous moral standards in the armed forces through the past scandal-ridden weeks—said that it was time to draw the line. "We need to come back to a rule of reason instead of a rule of thumb."

General Ralston has admitted to having an affair with a CIA agent 13 years ago while separated from his wife. He is now divorced and remarried. Reporters investigating the case have established that the general did not inform his military superiors of the affair and it was never the subject of disciplinary action—although it was common knowledge among his colleagues, one of whom described it as "flagrant".

Mr Cohen, who described General Ralston's affair as "a human error" that was outweighed by his sterling 32-year record, admitted that the decision to stand by the general put him in "a very difficult situation".

The commander at a major army training centre and a director at the same establishment were forced into early retirement this week after ad-

mitting adulterous affairs in years gone by, and other senior officers are under investigation.

The previous week, in a highly publicised case, Lieutenant Kelly Flinn, the air force's first female B-52 bomber pilot was given a general discharge in lieu of court martial after admitting an affair with a married civilian and disobeying an order to break it off. Her lawyer claimed that the military observed double standards and tended to turn a blind eye to the sexual dalliances of senior (male) officers.

These cases came amid a spate of courts martial in which male officers are accused of sexually harassing female subordinates. Yesterday, an army sergeant at the US base at Darmstadt in Germany became the first US soldier serving outside America to be convicted of sex crimes, when he was sentenced to two years in prison for indecent assault and other offences.

The jury gave Davis a dishonourable discharge but cleared him of six rape charges, one count of sodomy and other assault charges brought forward by 15 current or former female soldiers. Prosecutors had asked for a minimum sentence of five years for Davis, whom they called a "sexual predator" who used his rank to get sex.

Davis told journalists that he felt betrayed by the army and also by US civil rights leaders, to whom he had appealed for help in the case. "Race was indeed an issue," Davis said. "This was a witch hunt."

Although Mr Cohen says he supports General Ralston to succeed General John Shalikashvili when he retires as chief of the joint staffs in September, the candidates' list is not closed. The White House, perhaps sensing new political difficulty in the nomination, which must be approved by the Senate, said no final decision had been taken.



Quick diagnosis: Artist's impression of the inner workings of the first nanomachine (held, inset, by its Australian inventor Dr Bruce Cornell), which will enable doctors to test for virtually all known diseases in minutes from a drop of blood or saliva Photographs: AFP/Reuters

Drug lord is extradited to America

Matthew Chance
Bangkok

Li Yun-Chung, the man suspected of having masterminded the biggest shipment of heroin ever seized in the United States, was extradited from Thailand yesterday amid tight security, leaving behind him a bribery scandal which has shaken the Thai judiciary.

Dressed in a bullet-proof strait-

jacket and flanked by commandos wielding automatic weapons, Li was escorted on to a US Air Force flight for New York, where he will stand trial on charges of shipping 486kg of pure heroin from Burma. The narcotics, with an estimated street value of \$122m (£75m), were seized by Californian customs officials in 1991.

For years the close confidant of the Burmese opium warlord, Khun Sa, Li Yun-chung—a Burmese born

ethnic Chinese with residency in Thailand—was at the centre of "Golden Triangle" heroin production in South-east Asia. His indictment for trafficking in the US made him one of the world's most wanted men until his high-profile arrest in Bangkok last year.

The controversial decision by a senior Thai judge, Somchai Udomwong, to grant Li bail during an unscheduled hearing led to wide-

spread allegations of bribery. The allegations intensified when Li jumped bail and escaped to Burma to avoid extradition to America.

He was eventually returned to Thai custody last month, fuelling political controversy by threatening to go on record saying exactly how he was granted bail.

"This is becoming extremely embarrassing for the Thai government," said one diplomat.

Net closes on Bosnia war-crime fugitives

Christopher Bellamy
Defence Correspondent

The new High Representative overseeing the uneasy peace in Bosnia yesterday threatened to punish anyone harbouring Bosnian war criminals who are supposed to be handed over to the International Tribunal in the Hague, signalling a hardening of the international community's attitude.

In the toughest warning since the Dayton accord was signed 18 months ago, ending the three-and-a-half year war which claimed an estimated 200,000 lives, Carlos Westendorp said he would start by trying to persuade the authorities in the two entities within Bosnia, and in Serbia and in Croatia, to hand over indicted war criminals as required by Dayton.

So far, of 75 indicted war criminals, the only people brought before the court have been a Bosnian Croat who gave himself up and a Bosnian Serb, Dusan Tadic, who was seized by German police. Another seven await trial.

The most wanted men—Bosnian Serb war leaders Radovan Karadzic and Ratko Mladic—are still at large in Bosnian Serb territory. The Nato-led Stabilisation Force—S-For—is under instructions to detain wanted men if it chances upon them, but it never does.

Of the former warring factions, only the Bosnian Muslims have shown any inclination to hand over wanted men.

Mr Westendorp, a former Spanish foreign minister, takes over from former Swedish prime minister Carl Bildt on 20 June, and yesterday indicated he was going to take a much tougher line. "The second option is pressure," he said in Madrid yesterday. "Those who fulfil the commitments will have our support and those who do not, will have no support at all".

US Secretary of State Madeleine Albright went further, demanding that Croatia and Serbia to stop "stonewalling".

Mr Westendorp said the resolution of the war criminals issue was crucial to maintaining the peace in Bosnia. Dayton was supposed to create a model for a multi-ethnic country, but so far the boundaries between the former warring factions have solidified.

"We cannot deviate from Dayton. We must not," Mr Westendorp said. "Coexistence among the communities is not possible unless this issue of war criminals is solved".

Immediately after the accord, the peace implementation force took the view that peace was more urgent than justice, and that attempts to seize indicted war criminals would be resisted.

But after 18 months, most of the wanted men remain free, and progress towards implementing Dayton has been far too slow.

The US is determined to move its troops out before the deadline of July 1998. But Britain's new Foreign Secretary, Robin Cook, is among many Europeans who favour keeping forces there for a longer period.

Impotent peace-keeping force bemuses Albanians

Tirana — A couple of weeks ago, the Albanian health ministry decided to ask the Italian-led peace-keeping force to help with a problem. The ministry had heard of a possible case of polio in the remote mountains of the north-east and was anxious to send a medical expert to investigate.

Since the highlands were subject to attacks from armed gangs, the ministry figured the international troops might be able to offer an escort. The request was duly granted.

Thus it was that a lone doctor made the six-hour car journey from Tirana to Piskopi with two armoured vehicles in front and two behind, his escort totalling an impressive 20 men.

As the journey continued, he grew ever more embarrassed to admit that his only task was to find the suspected polio victim and take a sample from him. The entire military song and dance was mounted in honour of a scraping of human faeces.

The story illustrates much that is wrong with the international community's efforts to stabilise Albania. The multinational force has been in place for more than a month, but most Albanians are at a loss to understand what exactly it is doing. The peace is certainly not being kept, what with shootings, robberies and bomb attacks hitting the headlines daily.

The 6,000-odd soldiers have done nothing to intervene in the violence, and precious little to deter it, since their mandate precludes any police activities. Even the country's roads, which they are supposed to make safe, are being secured with painful slowness.

Elections are due on 29 June, but even here the force's role is painfully unclear. Hamstrung by a grudgingly granted and highly limited mandate, it cannot protect polling stations and will not provide escorts to campaigning candidates. It will be asked to protect international election observers, but such a task carries its own logistical problems. Until a frantic, high-level meeting last week, it seemed observers would not be allowed even to go to the lavatory

Despite the mayhem, elections will go ahead, writes **Andrew Gumbel**

without the escort of two armed men.

So what purpose, if any, do the soldiers serve? "They came for nothing," said Neritan Ceka, leader of the small Democratic Alliance opposition party, reflecting widespread public opinion in Albania.

"They are costing the international community between two and three million dollars a day, but I can't even go and talk



to my constituents because I would need five cars and an arsenal of Kalashnikovs, which I don't have.

"What we need for the election is blanket observation, but now we hear complaints that the international community doesn't have the money to mount such an operation."

The election preparations tell their own tales of woe and organisational mayhem. The international body most closely involved in this is the Organisation for Security and Cooperation in Europe (OSCE), whose special envoy, Franz Vranitzky, spent most of the first half of May trying to negotiate an electoral law acceptable to all sides.

Mr Vranitzky, the former

Austrian Chancellor, ended up the victim of various political intrigues, and the electoral law that was passed was steam-rollered through parliament by President Sali Berisha to the fury of the opposition.

According to his colleagues, Mr Vranitzky is now afraid to return to Tirana and feels deeply embittered by the whole experience. "He's very nice but the wrong man for the wrong



Franz Vranitzky: Afraid to return to Tirana

'He's very nice but the wrong man for the wrong job'

job," reflected one international official in Tirana. "He tried to bring a middle European mentality to a Balkan problem, and he failed."

The OSCE and the Western governments with troops on the ground have all insisted on sticking to the 29 June date, regardless of the difficulties of organising an election in a country where infrastructure has fallen apart, a state of emergency is in place, almost half the country is outside the control of the state and everybody is heavily armed. The motives behind the decision, notably the fear of becoming bogged down in another Balkan quagmire, are understandable but not necessarily conducive to the future of Albanian democracy.

Partly because of the situation on the ground and partly because of the weakness of the transitional Albanian government, deadline after deadline is being missed in the run-up to the election, as a result, the international community is ever more reluctant to commit large resources to an election that looks like being a qualified success at best. Mr Ceka's hopes of blanket monitoring are thus evaporating, and even OSCE officials admit that more remote areas simply won't be observed at all.

Not all the signs are negative, however. Last year's elections were subject to blatant fraud largely because the outside world did not care and because President Berisha, then solidly in power, managed to use the police and secret police to rig every aspect of the vote from registration through to the final results.

This time the world does care, even if it does not always know why, and the presence of the multinational force and other observers will almost certainly have a restraining effect on subversive elements.

Much of the gloom among Albanians is due to the understandably scant faith they have in their own political process and the perception that the international community is not doing enough to take matters into its own hands.

"They want us to take over, but that's not our job. These are Albanian elections after all," said Hans Peter Kleiner, a highly experienced OSCE election observer.

There are signs that the Albanians are now growing more confident about their prospects. All talk of boycotts by the opposition, for example, has ceased.

"What people in Albania have to understand is that there can be no stability without elections, not the other way around," said Gramoz Pashko, a former government minister now in exile in the United States.

"No matter how distorted and unsatisfactory these elections are, they are the only way to get out of the impasse."



Literary prizes: you just can't put them down

This is getting silly. The Orange Prize for fiction by women, awarded this week to the Canadian writer Anne Michaels, has itself been shortlisted for a prize for the best sponsorship of the arts by business. There are now more than 300 literary prizes in the British Isles, nearly one for every day of the year. There are prizes for painting, drawing, sculpting, installing and displaying people as exhibits, not to mention music, film, theatre and any other non-functional human activity that business people in suits can be persuaded is Art. And now there are prizes for prizes.

It is all part of the sea-change in the relationship between business and the arts over the past 15 years. Over the two decades before that, from the mid-Sixties to the mid-Eighties, the arts got used to the idea that the state would have a role in funding new work. What was seen as worthwhile was often anti-commercial, oppositional, experimental, and respectable businesses would not want to be associated with it, ran the train of thought. So the taxpayer should pay for what was deemed necessary for society's cultural health, as if the vast majority of taxpayers would be sympathetic or even interested.

In the United States, taxpayers tick a box on their annual tax return if they think \$3 of their taxes should go to pay for the election campaigns of presidential candidates. Hardly anybody in

the home of democracy ticks "yes". If we tried a similar scheme in the UK for public funding of the arts, the response would probably be about the same.

So the Arts Council built an edifice of committees of the Great and Good (Luvvies Section), informed by an unstable mix of backward-looking traditionalism and fashion-prone radicalism, on the vacuum where popular support should have been. But many in the arts resisted the advent of big-league business sponsorship on the grounds that it would be worse. It was the thin end of the wedge, it was argued. Companies would only support "safe" and unadventurous work, then they would try to censor what they sponsored. The next thing would be Hamlet coming on stage with the sponsor's name on the back of his jacket, or adding the words, "Brought to you by Bigco International" to the end of his soliloquies.

It has not happened. In the theatre and opera particularly, sponsorship has been the kiss of life, and on the whole tastefully done. Arts sponsorship is big business, and big companies clearly think it is good for business.

It is in the literary field that it all seems to be getting out of hand. Every big-name company seems to want its big name on a prize. One group of arts journalists was recently invited to discuss the subject by a public relations company carrying out research for a British multinational. Only after their



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tape-recorded discussion, for which they each received £50 in a brown envelope, were they told the name of the client, which was thinking of sponsoring yet another cultural prize.

Other companies have not handled their public relations so forcefully. The NCR non-fiction prize last month descended into such farce that it is hard to think that anyone would want to buy a cash register from the company, let alone buy a book with the "NCR prizewinner" flash. The company admitted paying professional readers to sift through entries so that judges would only be asked to do a little light reading.

Some companies have been keen to take their names off prizes. The Orange prize was originally sponsored by Mitsubishi, which pulled out after Simon Jenkins had a go at female separatism in a *Times* column (the actual £30,000 prize money comes from an elderly anonymous donor in the US). And some prizes have failed to generate any publicity. The IMPAC literary prize is the richest in Europe, worth £100,000, but no one has heard of it - mainly, it seems, because the American management services company bases its European operation in Dublin. It was won this year by a Spaniard, Javier Marias.

Literary prizes have been devalued as credible judges are spread ever more thinly over the ground. There are tales of judges failing to take competitions seriously, of corruption, cronyism and hype. Prizes have become dates in a social "season"; rather than tests of literary merit.

So there is a good case for calling a halt to the circus. But before donning the hair shirt, let us remember that not everything ridiculous should be banned. At least these dinners give budding authors the chance to get out a little and rub shoulders with brewers, mobile-phone operators and agrochemical manufacturers in the real world.

But there is also a natural law about these things. Public and journalistic interest in the prizes caravan will subside, and what will remain will be the few prizes of real literary value. The Booker, founded in 1969 and strongly promoted for many years by Sir Michael Caine, Emma Nicholson's husband, certainly widens the appeal of new literature. The Whitbread prize, almost as long-established, has well-respected category awards for fiction, first novels, children's books, poetry and biography. These are worthwhile prizes because they persuade large numbers of people to read good books.

Businesses will also go on finding new ways of sponsoring new art. It may seem strange, but putting a David Hockney painting on the tail of a British Airways

747 is one way of bringing modern art to a wider audience.

Historically, arts patronage has always been a job for the private sector. Public funding should primarily be devoted to the arts that command public support ("the people's money for the people's priorities", as Labour's Lottery slogan has it). Of course, BA is unlikely to discover and promote talented new artists, but Charles Saatchi, Vivien Duffield and the Sainsbury family can do that. Business sponsorship, meanwhile, will bring good authors and artists to the attention of millions who might otherwise be inattentive. So let them all have prizes.

Research on a sticky wicket

Latest instalment from the Centre for Wishful Thinking Studies: a lifetime of "persistent, moderately heavy" alcohol consumption does not impair cognitive performance, according to new research. Well, the research was conducted among Australians. We watch their soaps, we drink their beers, and it's never done us any harm. Our brains are in the same pristine condition as they ever were. Although we did have a funny hallucination yesterday, when we imagined that England were thrashing Australia at cricket.

LETTERS TO THE EDITOR

Patent law moving in on human genes

Sir: Charles Arthur ("The mouse that roared", 4 June) omitted to mention that under the proposed directive on life patents currently before the European Parliament, both the baby blood case and the Japanese transgenic mouse would be outlawed by EU legislators. Despite much controversy over this directive, already rejected once by MEPs in 1995, the European Commission is seeking to extend patent law into an area where it has no place.

Human genes and cells, transgenic animals, genetically engineered plants and seeds would all be treated as basic raw materials for the gene technology industry to exploit, protected from competition by the monopoly rights granted by industrial patent law. The TRIPS/GATT agreement permits the exclusion of patents on animals and plants, but the Commission and the biotech industry have chosen to ignore this.

Nobody wants to prevent genuine medical research, but granting patents on living material is not the way forward. In addition to ethical, philosophical or religious objections to commercial claims to have invented "new nature", there are serious doubts as to whether such research is actively promoted under the patent system. Although there is an inbuilt exemption from paying royalties on "pure" research, any "applied" research or application of the patented technology (and the living material which would be covered by the patent) requires the paid consent of the patentee. In the past, pure research was the preserve of academics. Today both pure and applied research tend to be in the hands of corporate scientists and genetic engineers.

Their employers are reluctant to develop and market new products unless they are protected from competition and can avoid expensive patent infringement litigation. There are, however, alternative forms of reward, such as Orphan Drugs protection, which have not been adequately explored.

The Green Group is arguing for the exclusion from patentability of living organisms whilst retaining protection and reward for genuine innovations which may make use of genetic knowledge. This appears to us to be a practical and commonsense dividing line.

NUALA AHERN MEP
The Green Group
European Parliament
Brussels

Sir: I note with interest your report on the patent granted to Biocyte relating to the use of umbilical cord stem cells in therapy. This is an area in which the Leukaemia Research Fund is supporting a major research programme at the University of Bristol.

Although the patent in question relates to use of umbilical cord stem cells the umbilical cord is not the only source of stem cells. The essence of the bone marrow transplantation is the presence within the marrow of stem cells capable of producing all types of blood cells. New techniques also permit the harvesting of these vital stem cells from circulating blood. The significance of using umbilical cord stem cells is the feasibility of establishing banks of frozen cord blood stem cells. The Leukaemia Research Fund in partnership with the National Blood Authority have recently been awarded a grant by the National Lottery to establish a cord blood bank in Bristol. This will form



a part of a national network of banks. There is a further probable benefit in that stem cells from a newborn infant (which are immunologically naive) may not require such exact matching with the recipient as those from an adult donor.

It would be unfortunate if commercial considerations were to block the potential benefits of these new therapeutic options. The Leukaemia Research Fund, along with other interested parties, hopes for a vigorous public debate.

KEN CAMPBELL
Information Officer
Leukaemia Research Fund
London WC1

Legal revenge an affront to victims

Sir: Mary Dejevsky ("Americans seek head of public enemy number one", 4 June) courageously describes as "distasteful" the euphoria after the jury's verdicts in the McVeigh trial.

What is more distasteful is the bloodthirsty procedure described in Jack O'Sullivan's article ("Wanted: but dead or alive?", 4 June) whereby survivors and victims' relatives will provide evidence to the jury in support of the death penalty. That they and prosecution lawyers should be planning to use film and photographs of victims (Baylee Almon's "first and only birthday party") is an affront to their memories and presupposes their (ungiven) consent.

The punishment should fit the crime, not the theatrical tricks of lawyers and the revenge sought by understandably distraught (and unobjective) victims and relatives.

We can only hope that Jack Straw will reverse the populist and vindictive trend in judicial proceedings and concentrate on measures which will restore confidence in an efficient and impartial judicial system, where criminals are caught, prosecuted and punished by the state. Victims need compassion and, in certain circumstances, counselling and compensation: they should be neither asked nor allowed to get involved in sentencing.

MICHAEL VARCOE-COCKS
London W6

Sir: Jack O'Sullivan's phrase "the more limited Biblical lines of an eye for an eye" requires some modification.

There is a progression of thought in both Old and New Testaments away from the idea of vengeance towards the original concept that retribution belongs only to God, as stated in Genesis 4, 15/16: "The Lord set a mark upon Cain that no man should touch him." There was a fall away from this principle in the Song of Lamech (Gen. 4, 24) - vengeance is now to be seventy times seven. The Mosaic principle of an eye for an eye (one for one) goes some way back towards the original concept. The New Testament gives the judgement of Jesus: "You have heard that they were told an eye for an eye, a tooth for a tooth: what I tell you is this, do not resist those who wrong you..." (Matthew 5, 38).

Both Jewish and Christian tradition argue that to demand retribution is to risk usurping what is

the prerogative of the Creator alone.

The Rev J STRONG
Winchester, Gloucestershire

Sir: Timothy McVeigh "a patriot with a cause" set off his bomb in Oklahoma because he wanted to overthrow the American government. A political act.

Had he escaped to Ireland would the Irish government have refused to extradite him? And, considering its antagonism to the repatriation of IRA suspects, what response would America have expected from the UK if he'd arrived here?

KEVIN LAFFAN
London SW19

Funding patients

Sir: Clive Parr (letter, 4 June) fails to see the essential difference between the old schemes for assisting in the development of GPs' premises and the new one connected with fund-holding.

With the old schemes there was no direct conflict of interest with patient care. With fund-holders there is, as Dr Markus pointed out (letter, 28 May), for if a fund-holding practice can reduce the money it spends on the care of its patients, it can divert that money into the improvement (and therefore the value) of privately owned practice premises. This is bound to lead to the suspicion that patients may be deprived of care so that GPs can profit. This potential conflict of interest should not be allowed to persist.

DR IRVINE LOXSHON
Warrington, Cheshire

Poverty and the two-wage family

Sir: New Labour has been high on rhetoric about poverty ("Blair's pledge to the dark estates", 3 June). We have heard the statistics before. We wonder what are the solutions.

The tax and benefit systems conspire to discourage working at the lowest levels of earnings. If a typical family receives about £200 per week in social security, an offer of a job of 40 hours a week at £4 per hour, less tax of about £12 per week and expenses connected with working does not seem attractive.

It may be better to change the tax and benefit system than to expect a minimum wage to cover the cost of a family. It is becoming ever more difficult for breadwinners, married or single, to provide for a family. There are many families with no jobs or two jobs and fewer with one job. Society is geared to the two-earner family.

A way must be found to enable breadwinners to support their families. Let us hope Frank Field will provide a concrete approach.

FRANCES SAVIN
Full Time Mothers
Ingateside, Essex

Sir: It is clear from comparative research that the UK has the lowest proportion of single parents in full-time work because it has the most expensive childcare and the steepest rate of withdrawal of benefit as people come into work. Until these bottlenecks are opened,

encouraging single parents to return to work, we will be squeezing the toothpaste tube without taking the top off.

EARL RUSSELL
Liberal Democrat Social Security spokesman
House of Lords
London SW1

Sir: In detailing some of the changes in the workforce in recent years, Diane Coyle writes of the "fact that one in five households does not have anybody in work" and claims that this includes "pensioner households" ("Working towards secure jobs", 29 May).

The one-in-five figure relates, in fact, specifically to non-pensioner households. For the UK the number of non-pensioner households with no working member is around 3.4 million. The number of non-pensioner households is 16.9 million (out of a total of 22.4 million), giving the 20 per cent figure.

PAUL ASHTON
Eastbourne, East Sussex

Our Chechnya

Sir: Your map (Analysis, 30 May) shows Chechnya as an independent state on the borders of Russia alongside such countries as Georgia, Armenia and Ukraine. The Chechen Republic is an integral part of the Russian Federation, the modality of status of which will be determined by the Federal Centre and the Chechen government by negotiations within the next five years.

GUERMAN GVENTSADZE
Chargé d'Affaires
Embassy of the Russian Federation
London W8

The arts need a new strategy

Sir: Polly Toynbee's interview with the new Heritage Secretary, Chris Smith, (3 June) indicates the winds of change sweeping through the Department of National Heritage. Chris Smith's wish to encourage Lottery funds distributors to set their own coherent strategy is very welcome. The *ad hoc* nature of the present system where projects can only be initiated by the applicants in desperate need of revision.

But might I suggest a more radical approach? The Lottery, for good or ill, has transformed the cultural landscape, but has not been put into the context of priorities or needs. Britain's funding system is a laudable patchwork, but inevitably much is duplicated, short-term and incoherent. The previous government did not accept the need for a cultural strategy. A review of the whole funding system for Britain's culture is long overdue.

We owe it to ourselves and future generations to look at what we want as a nation and then find ways of properly funding it for posterity.

COLIN TWEEDY
Director General
Association for Business
Sponsorship of the Arts
London SE1

Councillors are good value

Sir: Your item on councillors' pay ("Councillors' pay rises by a third", 21 May) referred to Birmingham's spending on allowances for its 117 elected councillors.

The new regulations were, in the Conservative government's own words, designed to "encourage people with a wide range of backgrounds, experience and skills to serve as councillors" and to "allow local authorities to give more adequate remuneration to those councillors with special responsibilities".

The total expenditure on councillors' allowances actually represents less than 0.04 per cent of the gross expenditure of Britain's largest local authority. Payments equate to around £25 per day per councillor or just over £1 per elector per year - looked at either way this represents extremely good value and a small price to pay for the maintenance of local democracy.

MICHAEL LYONS
Chief Executive
Birmingham City Council

Sad tradition

Sir: Female "circumcision" has been practised for thousands of years, sad testimony that the existence of the clitoris is an ancient part of folk knowledge in much of Asia and Africa. Mateo Colon's main claim to fame ("The anatomy of desire", 3 June) is that he anticipated Harvey by discovering the pulmonary circulation of the blood.

P J STEWART
Oxford

Maggot in brain

Sir: What's this about earworms (Letters, 3, 5 June)? The term for that annoying tune embedded in your brain is "maggot". Hence all those Elizabethan pieces with titles like "Captain Johnson's Maggot".

JOHN SMURTHWAITE
Leeds

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analysis

Mr Cook, we are up in arms

Why do women in Liverpool care so deeply about British arms exports to Indonesia?
Paul Vallely meets a group which has vowed to pursue direct action until Labour's new ethical foreign policy bans the trade

"He's a friend of mine," says Costa. The silence of the group of women in the room intensifies. On the TV screen in the corner of the room appears the gaunt figure of Alfredo. The camera lingers over his painful frame as he recounts how he was tortured: cigarette burns, fingernails pulled out, and a table leg rubbed up him until the bones came through. Then he was shot four times. Miraculously he survived, but his body carries the cruel marks.

"It makes me ashamed to be British," says Eileen Laing afterwards. Costa is a refugee in his early twenties, from the tiny island of East Timor in the Indonesian archipelago. Eileen is a grandmother from the parish of St Michael's in Liverpool. There is a curious alliance, but one so singular that last year's winner of the Nobel Prize for Peace, Bishop Carlos Belo, who is in London this weekend to deliver the Millennium Lecture of the Catholic aid agency, Cafod, is to make a special journey to Liverpool to meet Eileen and her friends.

A group of them are in the room to watch the TV programme – a *World in Action* exposé of British arms exports to Indonesia, the country that has illegally occupied East Timor for 23 years. East Timor is one of those causes which the New Right used to deride as an example of the marginal daftness of the chattering classes, the kind of thing Harold Pinter used to write to *The Guardian* about. But there is nothing of that about Eileen and her friends, respectable middle-aged ladies in sensible flowery frocks and light summer cardigans. Some of them are more than middle-aged. Mollie is in her eighties, but refuses to tell anyone exactly how old she is.

Still, she remembers when her home town was bombed, during the Second World War. At a service held in the bombed-out church of St Luke's – which stands as a memorial to the Nazi blitzing of Liverpool – she told the others what it was like to be attacked by aircraft. It was a sobering connection, for they were gathered to march on

the city's law courts in a protest over the sale of 40 British Hawk attack aircraft, which the East Timorese say have been used to relentlessly bomb and strafe tens of thousands of villagers from their homes. British Aerospace, which makes the planes, vehemently denies this; it must be some other aircraft. But among Mollie's party is another East Timorese refugee, Lopes, who tells of the many occasions he has seen the Hawks in action with his own eyes. There is no doubt whom the women of Liverpool believe.

It is not just the Hawks. Britain is now the single most important supplier of arms to the regime in Indonesia, which is responsible for the worst genocide since the Nazi Holocaust. A third of the population of East Timor – 260,000 people – have been slaughtered by the Indonesian army's killing squads, or by the famine that creeps in their wake. The rest are terrorised by the occupying army, displaced from the land, their Tetum language and culture suppressed, their women raped and forced to undergo sterilisation as part of a systematic attempt to wipe out the Timorese and replace them with Indonesian migrants. The territorial waters around the island, you see, are rich in oil.

All this has been carried out with the aid of British arms, many of them made just up the road at the British Aerospace factory at Warton in Lancashire. It was there that, last year, four women sneaked into the grounds and, armed only with hammers, smashed up a Hawk jet destined for Indonesia. Other British firms have also sent armoured vehicles and water cannons – and Bramshall Police College has, on the aid budget, trained the security forces of President Suharto to use riot-control techniques to keep his regime in power.

Indonesia has one of the worst human rights records in the world. Arbitrary detention and torture are part of daily life, according to Amnesty International. Disappearances remain uninvestigated, and there has been no reprimand even for the Santa Cruz massacre in 1991, when troops fired on mourners at a politi-

cal funeral and killed more than 250 people.

So New Labour's announcement that ethics are to form a plank in its foreign policy has turned all eyes on Indonesia, which constitutes the strongest case for a change in Britain's policy. Which is why the women of Liverpool are concerned at reports filtering out from the Foreign Office that export licences issued under the Tories last December were not to be revoked, permitting seven armoured water cannons, 17 armoured vehicles and 16 new Hawk jets to be exported to the regime.

There are East Timor support groups all over the UK, but it was the trial that involved Eileen and her fellow parishioners at St Michael's, near the Anfield district of the city. The four women who smashed up the Hawk jet could not be tried at Preston Crown Court. The Ribblesdale valley which surrounds it is the heartland of the British arms industry. Some 77,000 jobs there are directly arms-related, to say nothing of the subsidiaries and service industries that depend upon them. To secure an unbiased jury, the hearing was transferred to Liverpool.

The trial brought a sea change. "Before then, it felt as if we were pushing uphill, but now it has a total momentum of its own," says Joanna Wilson, a former Sunday school teacher who was one of the four women who were dramatically acquitted at the end of the trial, after the jury accepted their contention that their action was a last resort against what the UN has officially branded as genocide. "In the six weeks before the trial things really mushroomed. Peace groups, church groups, women's groups, youth groups, political groups and trade unionists came together. Ordinary people were talking in pubs about something happening across the other side of the world."

At St Michael's RC church the parish priest, Fr Arthur Fitzgerald, began to mention the subject in his homilies. Soon after, "a group of women in their fifties and sixties who," as Jo Wilson puts it "had never done any campaigny thing before in their lives" leafleted the cathedral when the new archbishop of Liverpool was being inaugurated. They held what the priest calls "silent, persistent, unaggressive protests" outside the court. Since then members of the Liverpool protest group have been involved in countless meetings, vigils and demonstrations, which have included moves to get Liverpool City Council to enter into a twinning arrangement with the capital of East Timor. They have disrupted the British Aerospace AGM, and annoyed the Department of Trade and Industry with dust on Ash Wednesday. This week they have pressed MPs to put down an early day motion in the Commons.

Some 60 of them routinely hold vigils of silent prayer outside the factory at Warton where eight of them, including the parish priest and four Timorese refugees, were arrested after climbing the fence to hold an Easter liturgy at the end of regular Lenten vigils outside the gates.

"Twelve months ago we didn't know where East Timor was," says one of the women, Rachel Mulrooney.

"We have changed. Look at that general," she adds, referring to the Indonesian front-man who had tried to defend the regime's actions on the TV programme. "He's living an illusion. We were living it too, we were encouraged to," she says of the arms industry which dominates the North-west. "It may seem naïve, but I think basically people are decent – if they know about it they will insist on something being done. That's what happened to us."



Two Timorese refugees have come to live with the residential Catholic community which has been set up in Fr Fitz's sprawling Victorian presbytery. Both Ermesegildo Lopes and Moises da Costa escaped from the Indonesian army and made their way, via Portugal, to England. "Now that Costa and Lopes are with us, East Timor isn't thousands of miles away," says Eileen. "It's here, where they sing songs of their homeland and tell stories of their mothers and the families they have left behind. It's heart-breaking."

But not all hearts are broken. "It's money," says Mollie. "We know that from trying to leaflet at the factory gates. They just pour past, refusing our leaflets, as they speed off to their wives, their homes, their mortgages. They leave their conscience at the door. It's the money."

Indeed it is. Britain is the world's second-largest arms exporter (after the US) capturing a quarter of the world market last year, up from 16 per cent in 1994 and 19 per cent in 1995. In no other export sector is Britain anywhere near so successful, earning £5bn a year, creating at least 120,000 jobs. And Indonesia, the fifth biggest country in the world, as an Asian tiger economy with oil represents a huge potential market for arms and other goods. It bought \$201m of arms from Britain between 1988 and 1992, and we are due to sell more this year than

ever before; total exports to Indonesia from the EU were \$4.1bn in 1990, and by 1994 had risen to \$5.7bn. It's a growing and significant market-place. No wonder the Asia desk at the Foreign Office is closely DTI-linked, and is particularly unresponsive to lobbying by human rights groups.

Though Indonesia's annexation of East Timor in 1976, two years after it received independence from Portugal, was as illegal as Saddam Hussein's invasion of Kuwait or General Galtieri's takeover of the Falklands, the long-term Foreign Office attitude is "no change in policy until Suharto goes". The fears must be that New Labour will not change it, especially since Robin Cook must be unwilling to sour relations with Foreign Office mandarins so soon on what they regard as a peripheral issue. Behind the scenes it is said that Cook is thinking of a token future ban on water cannons, but is less malleable on the expensive, high-tech hardware, especially with new questions hanging over British Aerospace's Euro-fighter. And he is unlikely to revoke existing licences for fear of hefty compensation bills from British exporters. Labour did not promise an ethical foreign policy, cynical insiders point out, only "an ethical dimension" to it.

The Liverpool campaigners are undaunted. "There's a new mood after years of despair," says one of the men, Terry Egan. "You've got to move quickly, while the air of decency is still new. It's an opportunity we've never had before. Cook is signalling that he is susceptible to pressure. We have to exert that before he meets Jose Ramos Horta [Timorese foreign minister-in-exile, and Bishop Belo's fellow Nobel laureate] on July 3." Rachel announces that she will lobby the Prime Minister's wife: "I'm going to write to Cherie; after all she launched the Cafod campaign against land-mines". They discuss plans for a march, on the anniversary of the trial, from Liverpool to Warton. There may be a campaign, too, to persuade the local football clubs, Liverpool and Everton, to boycott companies such as Nike and Adidas which manufacture in Indonesia.

Will all this bring success? "We were doing the Old Testament Prophets as part of the syllabus at school recently," says another of the group, Julie Curran, an RE teacher. "What you learn from them is that success doesn't matter. The work of a prophet is not about seeing results: it's about offering an alternative." And anyway, says Rachel, "it's like throwing in a pebble: the ripples spread out, and you may touch someone and never know it." So as long as people like Costa are being tortured, the women of Liverpool will just keep on going. Robin Cook should take note.

A growing number of protesters are joining the crusade of the four women (above) who were last year acquitted after damaging a Hawk jet in a Preston factory. It was destined for Indonesia, where British arms exports are used to bolster a repressive regime (left) with an appalling human rights record. Photographs: Craig Easton; Reuter

Photographs: Craig Easton; Reuter

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Camelot's knights and their legendary profits

Today, a brand new Arthurian tale set in the Court of Camelot.

It was evening, and the Knights of the Round Table were gathered in Camelot at King Arthur's behest for one of their regular assemblies at which challenges could be made, calls for help discussed and policy changes mooted. King Arthur looked round the table at his trusty band of warriors and warmed to think that so many good men were at his side. Some seats were empty, because there were always some knights off on missions or looking for the Holy Grail. Originally they had looked for danger only once a week. Now it was twice a week. It made more sense.

He struck the table for silence. "My noble knights," he said. "It has been another excellent season of rescue and personal combat. We have helped many people in their hour of need, even if we have not always had thank-you letters from them."

Everyone laughed. One always laughs at a king's jokes. "But there have been complaints."

"Not from anyone at this

table!" cried Sir Bedivere. "We have done good, yes, but we have done well by doing good!"

More laughter. "Too well, perhaps," said King Arthur. "There have been many complaints that we at Camelot are making too much money."

"Too much money?" said Sir Kay. "But we are poor knights! We make no money! All we have is our armour, our horse and our sword!"

"And nothing else?" said the king. "No other assets? What of your new castle? What of your land in Mercia? What of your gold and silver? What of your jewels in your wife's name? What of your ..."

"Ah, that," said Sir Kay. "Well, that is all put away for a rainy day. Nothing to do with cash flow."

"And where did it come from, O poor knight?" said King Arthur. "Where did you possibly find the money? Just by rescuing damsels and slaying dragons?"

"There has been the odd reward," said Sir Kay, vaguely. "I have levied the odd commission. I have accepted gifts from people I have



Miles Kingdon

helped. Dragons tend to leave hoards. If jewels were offered, or were lying around, I was not so ungrateful as to leave them there."

"In other words, you have awarded yourselves a king's bonus!" chorused Sir Leodegrance. "But then, so have we all!"

"And for good reason," put in Sir Lancelot. "It is an expensive business, running Camelot. We have to make sure our running expenses are covered."

"Running expenses, Sir Lancelot?"

"Travel, equipment, food,

entertainment ... all the little basics."

"Travel far, do you, Sir Lancelot?" inquired Sir Balan, slyly. There was a laugh. Everyone knew that Sir Lancelot was gone for months on end, usually to sunny countries. "Not enough distressed damsels for you here in the British Isles?"

"Have to look for the Holy Grail," said Lancelot, stiffly. "Have to look for it all over the place. Not likely to be in Basingstoke, is it? More likely the Middle East."

"And what do you do when you need money, Sir Lancelot?" said King Arthur. "We agreed when we started the Table that if in need, we would pray to God and He would provide."

"And so I still do," said Lancelot hotly. "I pray to God for help. And I hear God's voice. And it says to me ..."

"Take all the treasure you can lay your hands on," said Kay. More laughter.

"Something like that," confessed Lancelot.

"Well," said King Arthur, "the voice of God came to me last night via Merlin and it said that if we don't stop making excess money or don't

consider giving it away, He might reallocate the Round Table franchise elsewhere."

After cries of horror, they got down to some hard paperwork and found that God's calculations were pretty accurate. The Round Table had assets in excess of 40,000,000 gold sovereigns.

"Any ideas?" invited King Arthur. "For making less money, that is."

"Give it away?" suggested one knight. "Hold a huge party?" said another.

"Rebuild Camelot twice the size? ... Build a series of wide roads to improve the infrastructure for knightly activity? ... Fund research into the Black Death? ... Make a bid to host the next big international tournament, Eurojoust '46?"

"Go to Jerusalem?" said Sir Gawain.

"Jerusalem?" said the king. "For a crusade, you mean?"

"Certainly not!" said Gawain, shocked. "I mean, go on a luxury How-Shall-We-Spend-The-Camelot-Money? business seminar. Should get rid of some of it."

The motion was passed unanimously.

Israel is

Patrick Cock

Israel is a country that has been the subject of much international attention and controversy. The country's history is a complex one, involving a long struggle for independence and a subsequent conflict with its neighbours. The Israeli-Palestinian conflict is a central issue in the region, and has led to a series of wars and peace agreements. The country's political system is a democracy, but it has faced significant challenges in recent years, including a series of elections and a change in government. The country's economy is a mix of high-tech and traditional industries, and it has a strong reputation for innovation and entrepreneurship. The country's culture is a blend of Jewish and Arab traditions, and it has a rich history of art and literature. The country's future is uncertain, but it remains a key player in the Middle East.

High culture? Give me Beavis and Butthead



It is also more artful — look how so much modern art is based on stupid ideas. Our reaction to it necessitates a critical language that understands how clever all this stupid stuff is, as well as those who are prepared to stand up for art and culture that is not socially responsible. Instead we are stuck with an anal critical establishment that is so hung up on notions of taste that it doesn't know the difference between what is really cool and what ultimately sucks.

In announcing its peace proposal this week the Israeli government said it was half-way between a full return to the 1967 borders and a total takeover of the Land of Israel. That apparently means returning 40 per cent of the West Bank. Israeli settlements will stay. As a peace proposal it has the disadvantage of not producing peace. The confrontation between Israel and Palestinians on the West Bank and in Gaza which has raged since the Six-Day War will be institutionalised. The curse of Israel's 1967 victory retains its power.

Date of renewal 11/1/2000

6007

The Walling Wall: Israel's claim on Jerusalem is befied by realities

business & city

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BUSINESS & CITY EDITOR: JEREMY WARNER

Regulator to review funding for Railtrack

Michael Harrison

The rail regulator, John Swift, yesterday launched a fresh attack on Railtrack, criticising its investment record and launching a review of up to £300m of public subsidies the company receives.

The broadside came as Railtrack, which runs the country's rail network, announced a 27 per cent increase in pre-tax profits last year to £346m and mounted a vigorous defence of its £16bn investment programme in new track, signalling and stations.

In a surprise statement, Mr Swift said there was still "a very long way to go" for Railtrack to deliver on its investment obligations. He also announced a review of the money Railtrack receives under its performance incentive regime to establish whether shareholders were benefiting disproportionately. Mr Swift said Railtrack had already made £87m more than was assumed when it was privatised a year ago.

Railtrack shares fell back following Mr Swift's statement on fears the company was facing a much tougher regulatory environment, although they still ended the day 13.5p up at 658p.

The company reacted angrily to the twin attack on its profits and investment record. Sir Bob Horton, chairman, said: "I do not think we are making too much money. I think we are being just about adequately rewarded for the capital, both in terms of intellectual capital and physical capital, that we are putting into the business. It is quite unreasonable to expect us to get up and modernise every single station in this country overnight. We are getting on with that as fast as we can."

John Edmonds, chief executive, said later that Railtrack could go to the Monopolies & Mergers Commission or seek a judicial review if the regulator sought to reduce the amount of access charges it received from the passenger franchises.

At issue are the supplementary charges Railtrack is allowed to levy on train operators to cover its costs if its performance falls below set levels or it incurs extra costs because of bad weather. The charges amount to £300m over the six years to 2001. Last year Railtrack received £93m which, after payments to suppliers and provisions for severe weather, netted it a £26m profit.

Mr Edmonds said that if the supplementary charges ceased then the performance regime would collapse and Railtrack would have no incentive to improve its efficiency. He also criticised the "smoke and mirrors" that surrounded the regula-

tor's comments on Railtrack's investment record.

Mr Swift said Railtrack's record profits showed it had the funds to invest in the network but it had a very long way to go to make good the £400m backlog on property spending and the £277m shortfall on track and structure renewals. Mr Edmonds said Railtrack had already spent £105m more than was necessary under the £3.5bn investment programme agreed with the regulator up to 2001.

Sir Bob refused to be drawn on whether Railtrack's bumper profits made it more likely that it would be caught by the windfall tax. But he said whether it was included or not would make no difference to its investment programme. This includes the £550m Thameslink 2000 project, the £1.2bn upgrading of the West Coast Mainline and the regeneration of 300 stations by the end of the year.

Operating profit was up by 15 per cent to £339m on turnover of £2.4bn and the dividend was lifted by a more modest 7.6 per cent. Profits from property disposals climbed to £38m while Railtrack cut operating costs by 4 per cent compared with the 3 per cent set by the regulator under its price control formula.

Railtrack announced its £1,000 north of free shares. Sir Bob said Railtrack directors had received annual bonuses, though not the maximum 40 per cent.

Comment, page 23

Bank's new monetary policy committee meets for the first time



The Bank of England's new monetary policy committee, empowered by the Labour Government to set interest rates, began its first two-day meeting yesterday afternoon amid City speculation that it would result in a rise in the cost of borrowing. But the radical changes made to Britain's monetary framework, coupled with mixed inflationary signals, meant few analysts were

making forecasts with any confidence. A Reuters poll of 21 economists showed a narrow majority anticipated a rate increase. Seven of the nine members were at the meeting. Pictured are (left to right, standing): Sir Alan Budd, Ian Plenderleith and Charles Goodhart, and (front row, left to right) Howard Davies, Deputy Governor, Eddie George, Governor, and Mervyn King. Photograph: FT

Retail figures point to consumer slowdown

Michael Harrison

Evidence emerged yesterday of a slowdown in consumer demand last month as both high street sales and purchases of new cars failed to live up to expectations.

The Confederation of British Industry said the annual growth in retail sales in May was the lowest since October 1995. Only half those retailers that had been expecting an increase in sales actually reported one.

Meanwhile the Society of Motor Manufacturers and Traders reported an increase in new car sales last month of just 2.5 per cent compared with an overall rise of 5 per cent for the first five months of the year.

This evidence of a consumer slowdown may leave the Bank of England's Monetary Policy Committee with a finely balanced decision on whether or not to raise interest rates. The committee concludes its first ever meeting at lunchtime today.

The Bank's Governor, Eddie George, spoke earlier this week of his concern at the money flooding into the economy from the £30bn building society windfalls. The comment was taken as an indication in the markets that he was in favour of an increase in interest rates.

The consensus among City economists remains that the strong committee will vote to raise base rates by a quarter point to 6.5 per cent. Alternately they may wait to see the contents of Chancellor Gordon Brown's first Budget on 2 July.

According to the CBI's latest distributive trades survey, 46 per cent of retailers reported an increase in sales in May while 25 per cent reported a decline. The balance of 21 per cent compares with 42 per cent who have been expecting an improvement.

Alastair Eperon, chairman of the CBI's distributive trades panel, said: "The slowdown in sales growth reported in May is disappointing for retailers." However, he said that the slight easing in annual price increases also detected in the survey was good news for inflation.

Car sales reached 169,886 in May compared with 165,685 in the same month last year. Imports made up 63.5 per cent of total sales. Roger King of the SMMT said the modest sales growth showed that the market remained tough.

Ford was the market leader with a 20 per cent share of sales, while Vauxhall was second with 13 per cent. Rover remained in third place as its market share slipped to below 10 per cent.

Boots pays shareholders £400m

Magnus Grimond

Boots, the chemists to car accessories group, yesterday unveiled a bonanza for both shareholders and future employees with news of a £400m special dividend and plans for the creation of 5,000 jobs over the next three years.

The 44.2p a share payment, which brings to over £1.7bn the amount handed back in dividends and share buy-backs over the past three years, was well received by the stock market. The shares fell just 2.5p to 692p, despite going ex the special dividend immediately.

For tax-exempt institutions, the payment, which will be made on Friday 13 June, will bring an additional windfall of £100m from the advance corporation tax repayable by the Inland Revenue. Lord Blyth, the chief executive, refused to com-

ment on suggestions the dividend was being rushed out to beat the reduction in ACT expected to be announced in Labour's first Budget on 2 July.

"We have consistently returned money to shareholders. Indeed, last year we did a very large share buy-back. So there is no alteration in the pattern," he said. The decision to change the policy on handing back cash from share buy-backs to special dividends was because it had become more tax efficient after the last chancellor's abolition of ACT on buy-backs. It would "interesting" to see what the Budget contained, he said.

Analysts reacted enthusiastically to the dividend, which, for the first time since the beginning of the policy to pay excess cash back to shareholders, will push Boots into a modest net borrowing position. One observer said: "The response from insti-

tutions has been very positive. They're always happy to receive cash. They're very happy this is the third time Boots has handed cash back to shareholders. In this respect, Boots leads the pack among UK companies."

The company played down the job creation moves, which will mainly affect the Boots the Chemists chain. Halfords and Boots Opticians, as in line with levels typical of the past five years. But plans to spend up to £225m on opening 40 stores a year in both the chemists and Halfords businesses appear to represent a step up on last year's opening programme.

News of the jobs and dividend came as Boots unveiled a 12.5 per cent rise in pre-tax profits to £571m in the year to March, including a £34.9m exceptional gain as a result of a VAT refund, profit on last year's disposal of Children's World and gains on

property sales. A 14.3p final dividend raises the total for the year 11 per cent to 20.5p, payable from earnings per share up 20 per cent at 42.9p.

Lord Blyth warned the costs of coping with dual currencies and other matters in the wake of economic and monetary union could amount to some £20m for Boots, around double the level it expects to pay adapting its computers to deal with the date change in 2000, the so-called millennium "time bomb".

Boots said it would launch its Advantage loyalty card nationally later this year, following successful trials in Norwich and Plymouth in which extra sales had covered the additional costs. The card, expected by analysts to be unveiled in September or October, will be the first in the UK to incorporate a "smart" computer chip.

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Tesco scraps move into gas and electricity sales

Chris Godsmark
Business Correspondent

Hopes for a flood of new competitors in the emerging domestic energy markets were further dampened yesterday when it emerged that Tesco, the UK's biggest selling supermarket group, had abandoned a move into gas and electricity retailing.

Tesco has given up attending meetings of independent suppliers organised by the watchdog Ofgas since the beginning of the year. The retailer was the only one of the large supermarket chains to join in the meetings of the Domestic Competition Focus Group, which acts as an information exchange for businesses interested in par-

ticipating in the emerging domestic market.

Tesco had a small team of staff working on the project, led by Steve Mcardle, a marketing manager in its Clubcard department.

Earlier this week Southern Electric, the last remaining independent regional electricity company, said it also understood the supermarket groups had abandoned plans to sell gas and electricity. A Tesco spokeswoman declined to comment, apart from confirming the company had "no plans at present" to sell energy.

Sainsbury had already called off discussions with independent gas companies earlier this year, apparently after fears that its brand might be damaged by rep-

resentations of the marketing problems in domestic gas competition trial areas in the south of England. Independent suppliers had hoped to forge alliances with the supermarkets to tap into their hugely attractive loyalty card customer databases.

Observers also point to low profit margins of as little as 1 per cent in the electricity supply market and uncertainties of securing wholesale gas supplies at competitive prices.

The oil giant British Petroleum has also distanced itself from the domestic market. One of BP's executive committees is believed to have discussed proposals to move into the gas market for the third time recently without reaching a decision.



Helen Liddell: Condemned current City regulation

SIB reforms 'will take years'

Tom Stevenson
Financial Editor

The reform of City regulation announced last month by Gordon Brown may take up to three years to implement, Treasury minister Helen Liddell admitted yesterday. In her first speech on the proposed changes to financial supervision she warned that reform would be "long and complex" and said the planned integration of the current front-line regulators into a new super-SIB might not happen until early 2000.

Setting out a timetable for the Government's planned revamp, she told a City audience that the first step in the process - the Bank of England bill that will shift banking supervision to an enhanced SIB (Securities and

Investments Board) - would be put before Parliament after the summer recess. That bill, which will also reform the structure of the Bank's governing Court and set up the new monetary policy committee tasked with setting interest rates, is expected to receive Royal Assent at the beginning of 1998.

Mrs Liddell pulled no punches in her assessment of the current state of regulation, which she said was "not delivering the standard of supervision and investor protection that we all have a right to expect." She added: "Accountability is poor. Investors cannot help but be confused by the sheer complexity of the system. Reform is long overdue to simplify the delivery of financial service regulation."

She restated her recent strong-worded attack on the personal pensions mis-selling scandal, describing as "completely unacceptable" the industry's failure to compensate more than a small proportion of those people who had been wrongly persuaded to leave company pension schemes.

"Pension mis-selling is a blight on the integrity of the whole sector. It ill-becomes a world-class industry and it must be put right beyond peradventure as a matter of urgency." According to Mrs Liddell, much of the impetus for change in financial services would have to come from its own practitioners. She threatened: "If the industry ignores this opportunity to help shape the new regulatory regime, then they will have no

one else to blame but themselves. Together we have the opportunity to put in place the sort of regulation that will meet the industry and consumers' needs."

The City was also called on to play its part in the success of an enlarged SIB by putting forward its "smartest and strongest" managers for secondment to the regulator, a practice which Mrs Liddell said was routine in the US. In what was seen as a thinly veiled reference to the collapse of Barings last year, she said the key to effective regulation was the attitude of management.

She said: "Management needs to know its business, to understand the risks to which it is exposed. Unfortunately performance in this area sometimes falls short."

EC takes tough stance on ferry joint venture

Katherine Butler
Brussels

Stena Line and P&O, the cross-channel ferry operators, may have to meet tough conditions to win European Commission clearance of a planned joint venture which the companies claim is crucial if they are to compete with the Channel tunnel.

Brussels officials indicated yesterday that they feared the emergence of a cross-channel duopoly in which Le Shuttle and the new ferry venture might collaborate to fix prices.

"What we want to avoid is nice little arrangements which would ultimately push up fares for passengers," said one EC source. Officials said the Commission and Britain's regulatory authorities, which are also considering the deal, shared their concerns.

The Commission, which has the final say over the link-up, will write to the two ferry operators next week outlining "serious doubts" according to officials. While rejection is unlikely the Commission is expected to demand compliance with certain conditions and next week's letter from the Competition Commissioner, Karel Van Miert, will outline the guarantees he will want before delivering approval to the alliance. P&O Stena, as the co-operative joint venture would be

known, could be asked to operate independently of the two parent companies.

The companies are hoping to have their Dover to Calais passenger service up and running by the start of the peak summer season. Together Stena and P&O would control about 40 per cent of the tourist vehicle market, putting the venture on a par with Eurotunnel, the Channel tunnel operator, in terms of market share.

The joint venture would maintain services on the Dover-Zeebrugge route for freight as well as Stena's Newhaven to Dieppe line. Most of the focus, however, would be on the Dover to Calais operation where six multi-purpose vessels would run departures every 45 minutes.

Brussels received notification of the ferry alliance last October and has since received comments from "wide-ranging sources", officials said. They stressed that neither the Commission nor the Monopolies & Mergers Commission had completed their inquiries. Meanwhile, ferry operators protested yesterday that the EU's planned abolition of duty-free sales from June 1999 would cost 50,000 jobs. The European Shipowners' Association said ferry routes faced closure and ticket prices would be driven up by the move.

STOCK MARKETS				
FTSE 100	Dow Jones	Nikkei	Hang Seng	Shanghai
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000
4480	7800	14000	10000	10000

INTEREST RATES				
Short sterling	UK medium gilt	US long bond	3-month	6-month
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25
5.25	7.12	7.12	5.25	5.25

CURRENCIES				
£/\$	£/DM	£/¥	DM/\$	¥/\$
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160
1.60	1.60	160	1.60	160

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Labour's pick and mix approach doesn't work

COMMENT

Labour is already planning to hit the utilities hard with its windfall levy, a retrospective and selective tax which in many parts of the world, including the United States, would be unconstitutional and therefore illegal. Now it seems to want to stop them making any money at all

The new Government is developing a dangerously schizophrenic attitude towards business and the people who run it. In its body language and utterances, New Labour has already begun the process of separating them into "goodies" and "baddies", the "ins" and the "outs", and while some of this is simply a reflection of the colour of your politics, this is rarely wholly or even largely the deciding factor.

On the one hand ministers display a touchingly naive, almost awe-struck admiration for the "can do" attributes of our more successful businessmen. "Do come in and show us how to do it", they are saying to the open minded of them. "You can be our partners". So in comes David Simon of BP, Martin Taylor of Barclays, and most bizarrely of all, Peter Davis of the Pru. But you cannot keep old Labour in its cage for ever, and every now and again it comes growling and angry, fulminating against fat cat and the wicked capitalists.

And so it was yesterday as John Prescott went on the warpath about what was in truth a not particularly shocking rise in Railtrack profits. This is our money, Mr Prescott insisted, it belongs to the taxpayer, and even if we no longer own this wretched company, we are sure as hell are going to control it. The distinction Labour makes when its leaders rant and rave in this way is between businesses which are essentially public services and the rest. Privatised utilities had, everything else good, is what Mr Prescott would say if pushed.

But although this is all good populist stuff, it is actually a false distinction as well as a dangerous one. If the lottery and the public services are to be banned from making money it won't be long before the argument is extended to other businesses with anything approaching a dominant market position, and from there to business more generally. Labour is already planning to hit the utilities hard with its windfall levy, a retrospective and selective tax which in many other parts of the world including the United States would be unconstitutional and therefore illegal. Now it seems to want to stop them making any money at all.

The politician speaks and the regulator delivers. John Swift the rail regulator, yesterday announced that he is going to rewrite Railtrack's performance regime, because he believes that a disproportionate amount of Railtrack's direct government subsidy is going to shareholders.

Meanwhile, over at Ofwat, Ian Byatt has deplored big real rises in dividends saying he cannot see why water shareholders need such a big return. What world does Mr Byatt think City investors inhabit that they should want to put their money into something where the spoils are distributed according to need? The workers Republic of China? Exaggeration perhaps, but the City can expect a lot more where that came from right across the utilities over the months ahead.

Labour is in danger of adopting a pick and mix approach to business - socialism for the

utilities, and anything else the masses take a dislike to, and capitalism for the rest. Ultimately this is bad politics and economics, as well as bad in principle, for the company not allowed to make money for itself rarely tries to make savings for its customers either. There are plenty of good businessmen and plenty of bad ones but not because some are saintly and some are evil. Rather it is because some are good at what they do and some are bad at it. The only way anyone is going to find out which is which is by letting the market decide. Unavoidably it tends to do this on the basis of how much money they make, for themselves and their shareholders.

Single European market is the real problem

So much time, energy and angst is expended on debating the pros and cons of European Monetary Union that it's easy to lose sight of its underlying and perfectly reasonable purpose as a natural and logical corollary of the single European market - a way of ensuring that countries and companies across Europe compete fairly with each other on a level playing field.

So it is refreshing to see the Action Centre for Europe neatly sidestepping the bull fight over EMU and returning to the more down to earth question of how to improve the single market. What the enquiry, chaired by Lord Sheppard of Dillington, found was

that there are rather more urgent and pressing matters to correct in the single market than getting rid of currency fluctuations.

Companies still face considerable regulatory roadblocks to their right to operate in other member states, there's a way to go on harmonisation across a wide range of different industries and standards and there has been an abject failure to achieve a single European market in a number of vital supply industries, notably energy. Perhaps most important of all, free movement of labour remains a distant dream. In these circumstances the present dash to monetary union looks rather like putting the cart before the horse.

By appointing David Simon, who was a member of this enquiry, minister for competitiveness in Europe, the new Government has signalled its determination to push the process forward with dispatch. In the end, however, our main European partners are probably not going to need too much prodding. Six thousand Daimler Benz and BMW jobs lost from Germany to the US is a more powerful incentive to liberalisation and deregulation in Germany than any number of directives from Brussels.

Boots' dividend poser for the Chancellor

Neither Sir Michael Angus, chairman of Boots, nor Lord Blyth, his equally ebullient chief executive, are the type to

duck difficult and controversial issues. So why the studied silence yesterday on the speed with which Boots is paying its £400m special dividend, the latest in a line of bumper paybacks to shareholders of Boots amounting to over £1.7bn since November 1994.

Could it be anything to do with the approach of Labour's first Budget, in which many are expecting the Chancellor drastically to reduce or abolish tax credits on dividends? Surely not. But then again why else would Boots want to exhaust its cash pile and some with such indecent haste. The extra £100m tax exempt institutions will be able to reclaim in ACT is a feast which soon not be available if the Chancellor, Gordon Brown, cuts back on this lucrative City perk.

Boots appears to be the only major company so far to attempt to outwit Mr Brown's supposed plans in this way. Others have certainly looked at a similar acceleration of dividend payments, but quickly rejected the idea. The political sensitivity behind any attempt to beat the tax man are clear.

Boots has certainly won over the City by trying it on, whether it picks up Brownie points with Labour is another matter. The announcement of 5,000 new jobs must go some way to salvaging its position with the new Government, but ministers won't much like this transparently sneaky attempt to slip through the fence before the gates are finally shut.

BT residential customers lose despite competition

Chris Godsmark
Business Correspondent

The vast majority of residential telephone customers have seen only a tiny fraction of the savings from competition and regulation compared with high spending households and business, the watchdog, Ofcom, admitted yesterday.

Don Cruickshank, the telephone regulator, also revealed yesterday that British Telecom had put long-awaited forward plans to link up schools to the so-called information superhighway, though he dismissed any suggestion that the move was linked to the controversial "deal" with Labour to lift the ban on the group broadcasting entertainment down its phone network.

The figures from Ofcom showed the four-year price regime, which finishes next month, gave almost all the savings to just the top 20 per cent of residential customers spending an average of £130 a quarter on calls. "It shows how relatively little low-spending customers have benefited... We're just being honest," Mr Cruickshank said.

While the top 20 per cent of households saw bills fall by 19.7 per cent in cash terms between 1991 and 1997, the rest of the 22 million homes, which spend an average of £44 a quarter on calls, saw bills drop by just 1.1 per cent. The lowest spenders in the bottom 20 per cent of homes, spending around £27 a quarter, saw the least benefit

from price controls, with bills going up by more than 15 per cent because of rises in line rental charges. Some 2.5 million members of BT's light user discount scheme saw reductions averaging 20.5 per cent.

Though the four-year price regime cut overall bills by 7.5 per cent below inflation, it was focused mainly on businesses and high spending households. Average bills had dropped by 47 per cent in real terms since 1991. The new price regime, starting in August, excludes almost all business customers and should focus price cuts on lower spenders.

BT declined to give details of the group's offer to link schools with the superhighway, insisting the proposals were commercially confidential. They are

similar to a scheme begun by the cable companies which provide free initial connections to high capacity information links and fixed annual fees of between £100 and £600.

The BT plan would connect most schools using ISDN digital technology with its existing infrastructure, rather than providing direct fibre-optic cable links. ISDN connections would allow several computers Internet access simultaneously.

Mr Cruickshank and BT disagreed yesterday about the origins of the initiative, with Ofcom claiming it had started the project. "BT has to do this. It is not a matter of choice." But a BT spokeswoman said the schools connections were merely an expansion of its existing strategy.



Phone finding: Ofcom has admitted that the majority of BT's 22 million home users, spending an average of £44 a quarter on calls, saw bills drop by just 1.1 per cent

IN BRIEF

Commercial Union fined over PEPs

Commercial Union, the insurer, has been fined £95,000 and ordered to pay more than £84,000 in compensation by Imro, the fund management regulator, for mis-selling PEPs. The company must also pay £63,000 in costs. Imro investigators found that PEPs which were specifically designed to help pay off home loans were being sold to clients who already had other means of repaying their mortgages. Commercial Union's compliance team was unable to spot the mis-selling, which affected 95 of the 838 mortgage PEPs sold. In addition, the company failed to inform the regulator, which registers all members individually, that it had sacked several staff and hired others.

Unemployment claims surge in US

The number of Americans filing for state unemployment benefits unexpectedly surged last week to the highest level in a month, government figures showed. First-time jobless claims increased by 19,000 to a seasonally adjusted 337,000 in the week ended 31 May, the Labor Department said. Analysts had expected the number of new claims to hold steady at 322,000. The latest four-week average of new claims, however, has fallen from 326,500 to 323,750. "The four-week average is down. So there is still no evidence of a cyclical slackening in labor markets," said David Munro, chief US economist at High Frequency Economics in New York.

Investors are watching for the Labor Department's May employment report to give them a more complete picture of US job growth. That report, scheduled for release today, is expected to show the economy added 225,000 jobs last month, up from April's gain of 142,000 jobs. The unemployment rate probably rose to 5.0 per cent from April's 4.9 per cent, which was the lowest in 23 years.

Headlam moves dividend date forward

Graham Waldron, chairman of Headlam Group, announced that, in view of the timing of the forthcoming Budget on 2 July, the company's board had decided to accelerate the payment of the final dividend by six days to 1 July. "In view of the recent speculation by the City and the media that taxation on dividends may come under review in the Budget it was thought prudent to protect shareholders' interests by moving the payment date," he said. Mr Waldron also told the annual general meeting that "profits and earnings are well ahead of last year so far and the recent acquisition of Gradus has proved to be a successful move".

Second employee leaves PIA

The Personal Investment Authority, the financial services regulator, was yesterday facing the loss of another of its key members of staff. Penny Tomkins, legal officer in the PIA's pensions unit, is leaving the regulator to join Sun Life of Canada later this month. Her departure follows the abrupt exit from the PIA last week of David Cranston, formerly head of membership services. Sources alleged Mr Cranston was blamed for the PIA's failure to ensure swift redress to pension mis-selling victims.

New chairman for Hogg Robinson

Hogg Robinson is appointing Neville Bain as deputy chairman with effect from 9 June. He will take over as chairman on the retirement of Brian Perry, who is also managing director, on 5 September. The company said Mr Bain would be actively involved in the selection process leading to the appointment of a new chief executive on Mr Perry's retirement. Mr Bain has been chief executive of Coats Vye for the past six-and-a-half years and was previously finance director and deputy chief executive of Cadbury Schweppes.

ICI closer to selling Australian stake

The pending sale of Imperial Chemical Industries' 62.4 per cent stake in ICI Australia moved a step closer following agreement being reached on commercial arrangements between the two companies. "The completion of negotiations and determination of commercial arrangements between ICI and ICI Australia represents a positive result for both companies. It opens the way for the sale of ICI's shareholding in ICI Australia and provides the platform for the development of ICI Australia," the company said.

The agreement provides that ICI Australia retain exclusive rights to use the ICI roundel (registered trademark) and the "ICI" house mark in Australia, New Zealand and Papua New Guinea for one year. ICI Australia will own the key brands in the paint business in Australia and New Zealand, including the Dulux brand. ICI Australia will be able to exploit opportunities in paint markets internationally.

J Saville Gordon to sell 147 properties

A portfolio of 147 properties is to be disposed of by J Saville Gordon Group in line with its stated corporate strategy of focusing its activities on the industrial property sector. The mainly retail portfolio comprised 147 properties located on a wide range of high streets throughout the country let to tenants including Rank Hovis McDougal, Superdrug and Radio Rentals, a company spokesman said. The portfolio does not include the company's two shopping centres at Colwyn Bay and Colchester.

SBS Group plans to float on AIM

SBS Group, the information technology recruitment agency, is making a £1.2m placing of shares and plans a flotation on the Alternative Investment Market. It is placing 1.5 million shares with institutional and other investors at 100p each, giving the company a market value of around £7m. Approximately 21.5 per cent of the company's share capital will be held by external investors.

The company said the money raised would provide working capital to support future growth and turnover, allow the repayment of borrowings and provide the flexibility to finance acquisitions. In the year to 31 August 1996 it had sales of £15.2m and pre-tax profit after tax of £252,000. For the first half of 1996/97 turnover was up 13.2 per cent at £10.1m and profits after tax were ahead 53.1 per cent to £268,000.

Glass maker to cut 220 factories

Sameena Ahmad

Paolo Scaroni, Pilkington's chief executive of two weeks, stunned the City yesterday by announcing a radical shift in strategy that would see the group withdraw from much of its downstream glass-making operations. These businesses, which add value to ordinary sheet glass by toughening or shaping it, represent around a quarter of the group's total £2.9bn of revenues.

One analyst, who did not want to be named, said: "We were expecting something radical from Scaroni, but not this. It is a complete reversal of policy." Mr Scaroni, who was Pilkington's head of automotive glass and replaced Roger Leverson in a boardroom coup in May, said that he was looking at closing or selling the group's 220 European-based factories involved in downstream operations. "I don't know which ones or how many yet. It depends on their share of the market and how profitable they are."

The group also said it would accelerate its cost cutting programme, currently £20m a year, over the next three years and wanted to cut out unnecessary management layers.

Mr Scaroni said: "I want Pilkington to become the most efficient glass manufacturer in the world. Prices are something we can do very little about. The only variable under our control are costs."

Analysts' responses were mixed: "We are more confused today than we were yesterday. The whole restructuring is too complex. I'm not sure Scaroni knows what he can do," said one.

Another said: "By reducing the downstream side, they will lose market share and have to cut back capacity at their float glass business. This could cost them a lot in provisions. And the cost of exit from the downstream factories could be high if the group can't sell them."

However, others were impressed with Mr Scaroni's track record and said the group could recover in two years.

Mr Scaroni's comments came as the group revealed an £80m fall in pre-exceptional profits in the year to March to £132m. Investment Column, page 25

Airline chiefs execute a belly-flop landing

David Osborne
Washington

David Osborne reports on a bout of jousting in Washington in which British Airways and American Airlines fared badly

It is minutes after the chiefs of British Airways and American Airlines have ended their testimony before a committee of the United States Senate on their proposed alliance for services across the Atlantic. Linger in the corridors, a lawyer who is closely involved, asks: "Who advises Bob Ayling?" His tone is despairing.

Mr Ayling and his American Airlines counterpart, Bob Crandall, had just executed some of a belly-flop landing. This group of senators, members of the Senate Commerce Committee, had been expected to provide the two Bobs with a sympathetic audience. That was the advance billing. Instead,

the unhappy pair found themselves the targets of scepticism. In a committee room packed to capacity, Messrs Ayling and Crandall were seated at one end of a narrow table occupied at the other end by three of their most dangerous opponents - Stephen Wolf of US Airways, Richard Branson of Virgin Atlantic and Sir Freddie Laker.

The first to speak, Mr Ayling put his foot in it at once. This was, he informed us, the first appearance before Congress of any official from British Airways or from its ancestor companies. If he thought the senators would be impressed, he was wrong. The remark seemed ill-

judged given that BA had been asked to testify at a previous hearing on the American deal and had failed to show up.

And then there were the charts. The Bobs had a stack of them to match their litany of indigestible statistics. The point they were trying to make was fair. Consider things like: city-pair numbers, market shares, revenue generation and so forth and the BA-AA deal looks small fry compared with some other alliances that have won approval.

But senators do not care much for statistics. They like a bit of cut and thrust. They like sarcasm and witty one-liners that Mr Branson and Sir Fred-

die had in jumbo-jet loads. And underdogs will always be more attractive than industry captains with reputations for arrogance.

Sir Freddie said: "Mortals should not be allowed to have this amount of power." With those words he got to the political nub that senators can appreciate.

The senators were also given a clear lesson in slots - the rights that airlines must acquire to be able to take off and land at Heathrow Airport. Mr Ayling was rattled when Senator Wendell Ford of Kentucky suggested that BA and AA "ante up" exactly the same number of slots they have at US airports to American carriers wanting to

serve London. "I think that would be unprecedented," Mr Ayling stammered. "Well," Senator Ford shot back, "I guess we are going to be doing some things we haven't done before."

It was when Mr Ayling suggested that "anyone who wants to get slots [at Heathrow] can do so," that Mr Branson erupted. Grabbing at his hair in theatrical exasperation, he blurted out of turn: "It's incredible to hear this man being able to look you in the eye and say this."

Next week another Senate committee concerned with anti-trust issues also tackles the BA-AA deal. A smiling Mr Branson plans to be there. Whether Mr Ayling will savour making BA's second congressional appearance in history must be more doubtful.

Michael Harrison looks at New Labour's latest recruits from industry and finance

The businessmen who changed their spots



Ins: (clockwise from top left) David Simon; Martin Taylor; Lord Hollick; Robert Ayling; Peter Davis; Sir Iain Vallance; Uncertain: (from left) Rupert Murdoch; Sir Iain Vallance; Sir Richard Evans. Outs: (clockwise from left) Sir Desmond Pitcher; Ed Wallis; Sir Stanley Kalms; Lord Hanson; John Neill; Sir Rocco Forte.

The chief executive of Prudential, Sir Peter Davis, yesterday became the latest senior businessman to be drafted in by Labour to help with the Government's legislative programme.

Sir Peter has been appointed chairman of the advisory task force that will develop the welfare-to-work scheme designed to get 250,000 long-term unemployed youngsters into jobs.

The Chancellor Gordon Brown, chairman of the Cabinet's welfare-to-work committee, said the £612,000-a-year head of Prudential had the perfect blend of skills and experience to turn Labour's plans into reality.

Others, however, voiced some surprise at the choice. Although Sir Peter has been chairman of the Government's Basic Skills Agency for the last eight years, Prudential, Britain's biggest insurance company, is also heavily embroiled in the pensions mis-selling scandal.

Sir Peter was also one of the group of 42 businessmen who wrote famously to the Times before the 1992 election urging the country not to vote Labour, warning: "The spirit of enterprise is not a hardy plant. Nor is it yet so firmly established that it can survive in a hostile climate."

But then a great many other businessmen have also changed their spots since 1992. The Amstrad chairman, Alan Sugar, another signatory to that letter, has signed up to lecture young people on business on behalf of Margaret Beckett, President of the Board of Trade. He is in good company as a minister in the department with responsibility for Europe and competitiveness while Lord Hollick, a long-time Labour supporter is acting as special adviser to Mrs Beckett.

Other businessmen co-opted to help Labour include the chief executive of Barclays Bank, Martin Taylor, who is chairing the Treasury's pensions and benefits review, and Malcolm Bates, former deputy chairman of GEC and now chairman of the Pearl insurance group, who is chairing a review of the Private Finance Initiative for the Paymaster General, Geoffrey Robinson.

Other business leaders with an entrée to Downing Street now that Tony Blair is its occupant include Gerry Robinson, the chairman of Granada, Bob Ayling, chief executive of British Airways, and Virgin's Richard Branson. Mr Ayling is a close friend of the Home Secretary, Jack Straw. The two men shared a 50th birthday party.

Among those definitely out of the loop are Sir Desmond Pitcher, chairman of United Utilities, who prided himself on his close contacts with the previous government, and Sir Stanley Kalms, chairman of Dixon's and a well-known scourge of socialism, even of the pale pink Blair variety.

Also persona non grata are Ed Wallis, chairman of PowerGen, who has lobbied harder than most against the windfall tax, and John Neill, chief executive of Unipart, who backed a campaign before the election to boost the image of privatised companies. Nor will Lord Hanson and Sir Rocco Forte be found on any Labour guest list but neither man probably much cares.

Somewhere in the middle are floating voters whose affiliations are uncertain. Rupert Murdoch's Sun backed Blair at the polls but is the News Corp chairman a personal convert to Labour?

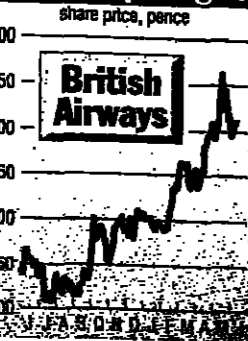
Sir Iain Vallance, chairman of BT, voted Labour but his support has been tempered by the prospect of BT being clobbered by the windfall tax. Sir Dick Evans, chief executive of British Aerospace, likes Labour's support for Eurofighter but not its promise to crack down on arms sales.

market report / shares

Data Bank

FTSE 100	4572.2	+19.1
FTSE 250	4465.9	-1.9
FTSE 350	2220.3	+7.3
SEAO VOLUME	859.2m shares	
	42,769 bargains	
Gifts Index	96.36	-0.12

Share spotlight



NatWest said to be wooing Abbey National once more

Are Abbey National and National Westminster Bank talking merger again? Shares of the two financial giants edged ahead as some speculators were prepared to bank on what would be Britain's largest financial get-together taking place.

The stock market, of course, never likes to see a good story fade away and on another uneventful day was happy to encourage the Abbey habit.

The proposed Grand Metropolitan/Guinness merger has underlined that major corporate deals are still in the forefront of City thinking and prompted the market to salivate about other possible mammoth mergers.

Abbey and NatWest held talks earlier this year. They foundered, probably on price. Many believe, however, that NatWest is more keen on the deal than Abbey and will have to indulge in some unfamiliar

sweet talk to win over the former building society.

In market capitalisation terms NatWest is the bigger of the two. But there is not much in it and it would face an uphill struggle if it made a predatory strike.

Abbey, which soared to 961p last month on talk of a deal before succumbing to other financials, rose 16.5p to 843.5p in brisk trading and NatWest was also busily traded, adding 9.5p to 737p.

Insurance shares, awaiting the Norwich Union arrival, produced a smattering of gains with Prudential Corporation up 22.5p to 627.5p and Commercial Union 15p to 672.5p. In the grey market Norwich was 339p.

Among smaller merchant banks the disclosure that Cater Allen, the old discount house, had received a bid approach sent the shares sliding 121p to 562.5p.



MARKET REPORT

DEREK PAIN

stock market reporter of the year

Leopold Joseph gained 32.5p to 552.5p in sympathy. The rest of the market managed to end its losing run with Footsie putting on 19.1 points to 4,572.2, at one time it was off 22.2. Steady gains, hopes the weaker-than-expected Confederation of British Industry survey would dampen enthusiasm for an interest rate increase and a strong New York display combined to enliven the proceedings. Turnover, not high by recent standards, was swollen by a series of bed and breakfast deals.

BTR was the most heavily traded blue chip, falling 3.5p to 193.5p. A mystery trade of 4 million shares was clinched at an astonishing 160p. It was, seemingly, a sale resulting from an option. BTR said it was nothing to do with the trade.

The BTR shares slide, the price was 284p in March, is causing increasing disquiet in the City. Some institutions are clamouring for management changes, demanding chairman Elwyn Illidge be replaced.

Lasmo, the oil group, was the best-performing blue chip, gaining 11p to 259p. The advance, which will do no harm to its campaign to retain its Footsie membership, was prompted by its successful bid for promising acreage in the Dacion area of Venezuela.

Premier Oil firmed to 44.5p; an investment meeting is due later this month.

British Airways rose 20p to 715.5p on expectations the deal with American Airlines will, with minor adjustments, go through.

Boots, with its 44.2p special dividend already stripped out, shaded 2.5p to 692p. Moss Bros eased up to 268.5p after meeting analysts.

Railtrack, at one time up 23p on its results, was shunted backwards by the Whitehall reaction, settling for a 12.5p gain at 658p.

Imperial Tobacco put on a further 4.5p to 385p ahead of a US investment roadshow. British Aerospace has still further to fly, despite more than doubling in two years, believes NatWest Securities. Analyst Bruce MacDonald reckons the shares should nudge 1,600p.

BTG, once British Technol-

ogy, added 20p to 642.5p on rumoured Dresdner Kleinwort Benson support. Shield Diagnostic jumped 72.5p to 570p. At a medical conference today a detailed presentation on its treatment for detecting heart disease is expected.

Galaxy Media continued to welcome impresario Robert Stigwood, improving a further 25p to 200p. Polytype was firm at 219p as Charterhouse Tilney continued to mop up shares for two institutions. Profits this year are expected to come out at £32.5m, up from £28.5m.

The departure of chief executive Bob Williams from the DCS computer group lowered the shares 29.5p to 275p.

Surrey, a betting business, attracted a flurry of interest as a number of crosses went through. The price held at 1p. Many see the company as an ideal shell. With a capitalisation of £4.4m and losses for the past five years it needs beefing up.

□The stock market should be split into three, believes Cisco, a lobby group representing companies outside the FTSE 350 index. It suggests the top 350 should form an international section; a national market should embrace "well developed" listed companies and an enterprise market take in AIM and Seed shares. Chief executive Katie Morris says London could lose its "listing stars" to overseas markets unless it reshapes.

□Jarvis, the ambitious construction and rail maintenance group, could have another big deal in the pipeline. Figures are due soon. The shares rose 5.5p to 275.5p.

□Expect developments at West 175 Enterprises, a US TV group. It was in the red last year but could make profits of £220,000 this year; the shares held at 80p.

Taking Stock

Share Price Data

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, including exceptional items.

Other details: 1st right 25p dividend; 2nd right 10p dividend; 3rd right 10p dividend; 4th right 10p dividend; 5th right 10p dividend; 6th right 10p dividend; 7th right 10p dividend; 8th right 10p dividend; 9th right 10p dividend; 10th right 10p dividend; 11th right 10p dividend; 12th right 10p dividend; 13th right 10p dividend; 14th right 10p dividend; 15th right 10p dividend; 16th right 10p dividend; 17th right 10p dividend; 18th right 10p dividend; 19th right 10p dividend; 20th right 10p dividend; 21st right 10p dividend; 22nd right 10p dividend; 23rd right 10p dividend; 24th right 10p dividend; 25th right 10p dividend; 26th right 10p dividend; 27th right 10p dividend; 28th right 10p dividend; 29th right 10p dividend; 30th right 10p dividend; 31st right 10p dividend; 32nd right 10p dividend; 33rd right 10p dividend; 34th right 10p dividend; 35th right 10p dividend; 36th right 10p dividend; 37th right 10p dividend; 38th right 10p dividend; 39th right 10p dividend; 40th right 10p dividend; 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Cater shares jump after bid talks revelation

Tom Stevenson
Financial Editor

Shares in Cater Allen jumped 27 per cent to 562.5p after the small merchant bank said it was in talks which might lead to a bid. Analysts said talks were at a fairly advanced stage and expected an announcement within a few weeks.

Sources close to the former discount house said a deal had been in the offing for a while, following a long slide in Cater's share price since it peaked at 630p at the beginning of 1994. The identity of the bidder remains under wraps, but analysts said yesterday it was probably a British bank keen to buy Cater's knowledge of the high-volume, low-margin short-term money markets.

With a net asset value of 340p, any bid is thought unlikely to exceed about 600p a share. Market speculation yesterday focused on Close Brothers or Schwab, although neither was thought to be able to provide the balance sheet strength that was probably the attraction of any deal to Cater. The bank has made it clear that discussions are over a recommended bid.

A takeover would put an end to Cater Allen's transformation from old-style discount house to a specialist small bank engaged in a variety of disciplines. The bank's interests range from execution-only stockbroker City Deal, which offers small investors trades as

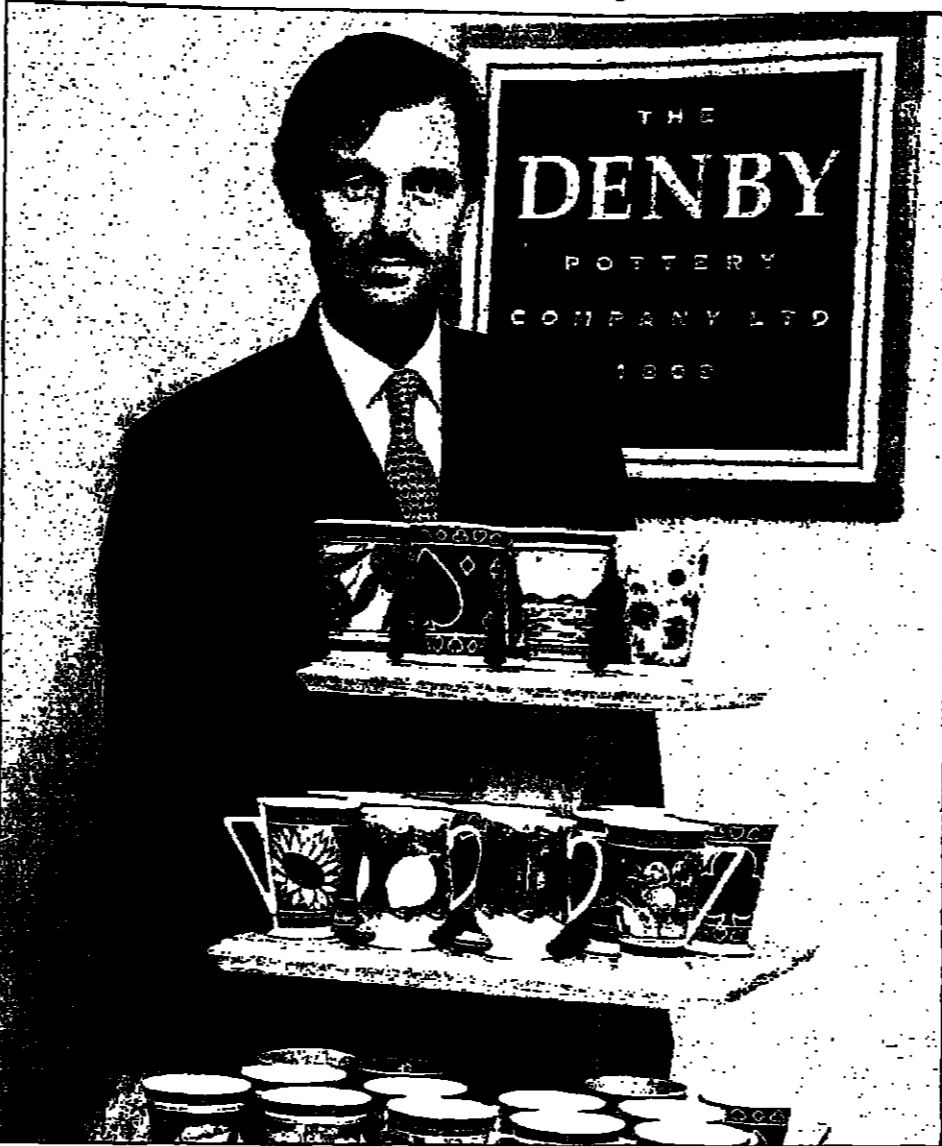
cheaply as £9 a deal, to retail banking and fund management.

The main thrust of Cater's expansion has been out of wholesale and into retail financial operations, where James Barclay, the bank's chairman, recently said it was going "flat out". Like many banks, Cater has been keen to expand its fund management operations, which in the past decade have provided steadier profits than more volatile broking activities.

Cater Allen has struggled in recent months. Last November it announced a 40 per cent slide in pre-tax profits for the half year to October to £5.6m. Mr Barclay blamed a wrong call on the previous month's interest rate rise and said sterling money markets had been the toughest in years. Its execution-only stockbroking business had also suffered from the introduction of Crest, the electronic share settlement system, which pushed it into the red last summer. It had, however, been popular with investors, winning awards for its service and pulling in up to 1,000 new clients a week for its no-frills stockbroking offer.

A bid for Cater Allen would be the latest in a string of deals which have pushed almost all the City's independent banks into the hands of well-heeled institutions, mainly foreign banks. Venerable City names such as SG Warburg and Kleinwort Benson have fallen to European buyers, leaving only a handful of independent players.

Competition puts crack in Denby's china success



Denby, one of the success stories of the UK china industry in recent years, has fallen victim to increased competition in casual tableware and the strong pound, writes Sameena Ahmad. The company warned yesterday that profit growth this year would be slower than expected, sending its shares down 10 per cent to 222.5p. Some analysts said the price fall left the group open to a takeover bid. The warning contrasted with the accompanying half-year results from Denby, with profits for the period to March rising 16 per cent to £3.5m and sales up by 15 per cent to £19.3m. However, Carl Short, an analyst at SGST, downgraded full year

figures by £300,000 to £6.6m. Stephen Riley, chief executive (above), said that competing companies like Wedgwood and Churchill China had been increasing their presence in the growing casual tableware market and away from the mature fine china sector. "The competition has seen what we've been doing and are emulating it," he said. With 40 per cent of Denby's tableware sold outside the UK, the strength of the pound was also eroding revenue. Mr Riley said the group would respond to growing competition by broadening its brand beyond pottery and glass to table accessories like cutlery, tablemats and candles.

THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

Pilkington's new chief wields the axe

Pilkington's glass half empty or half full? On first glance it looks half empty. Despite five years of backing away costs at its commodity glass business and building up a huge market share in added-value "downstream" glassmaking - laminating, toughening, bending, glazing, Pilkington remains a fairly business against competitors like Saint Gobain and Glaverbel.

As prices of glass across Europe have plunged and recession has hit German building products, the failure of Roger Leventon, Pilkington's recently ousted chief, to cut costs fast enough has resulted in three profits warnings in 12 months. A further warning on glass prices yesterday, accompanying the group's 1997 results, left the shares another 6 per cent lower at 117p.

Paolo Scaroni, the new chief executive, has drawn two simple conclusions. Firstly, the company can no longer hope that rising glass prices will rescue profits. The group failed miserably to put a 20 per cent increase through in the year and prices are starting to weaken alarmingly. Secondly, the company must take a sharp axe to costs. That was well known. What caused a big surprise yesterday was Mr Scaroni's plans to cut back the group's downstream business, which Mr Leventon took such pains to build.

The rationale is controversial, but has strong arguments in its favour. Having an added-value operation did not in fact do much for margins, but it did increase costs. Pilkington has 220 factories spread across Europe adding value to the group's float glass. Many are tiny, inefficient "mom and pop" operations and all have added to Pilkington's crazy bureaucratic management structure. Pilks has four layers of managers - regional, country, company and product line. Mr Scaroni says all but the product line managers should go.

With 80 per cent of the group's building products business - itself half the group - residing in Europe, making such radical changes will take at least two years. There will be more provisions if Pilks cannot sell the inefficient factories. And shifting to normal float glass will make the company a dramatically more cyclical business. But cyclical businesses can

be good investments for those with good timing.

Concerns that Mr Scaroni is vague about his plans for the buildings products business are unfair given his time in the job. More important, his vision is simple and he seems tough. And making costs not prices the focus puts the fate of the business in the hands of management.

SBC Warburg is forecasting profits of £127m before exceptional items in 1998 and £182m in 1999. The shares are on a 1999 rating of 12. The cautious investor will wait until the full details of the restructuring are revealed in December, but the brave should buy for recovery.

Pay-back time for Boots

The reputation of Lord Blyth, Boots' chief executive, continues to suffer from the £900m acquisition of Ward White some eight years ago. The ghosts of that deal continue to haunt the retail group in the shape of losses at the AG Stanley and Do It All DIY chains, but Lord Blyth and his company are now well on the road to rehabilitation in the eyes of the City.

Most obviously, Boots has led the pack in returning excess cash to shareholders. Yesterday's special dividend of £400m brings to £1.7bn the company has paid back over the past three years, including

£1.2bn from share buy-backs and special dividends.

Initially this policy may have been born out of necessity, given the reaction further corporate deals would have received. But the latest special dividend pushes Boots into modest gearing of 10 per cent for the first time, suggesting borrowings may not prevent further such payments.

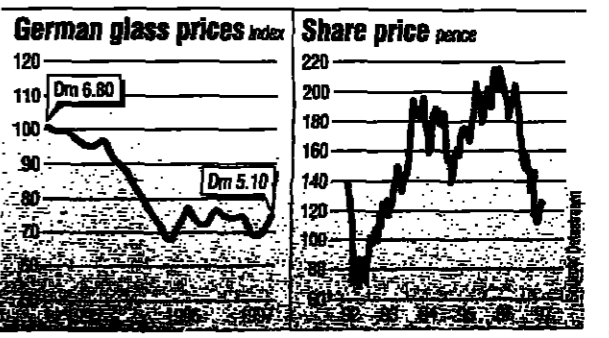
Equally, Boots is now dipping its toe in the water for acquisitions again. Last year it spent £170m, four times the previous year's figure, including the £115m acquisition of Laboratoires Luita, a French skin-care group, which seems to have gone down well within and outside the company.

Further investment is likely to be concentrated on the 40-store-a-year UK opening programme planned for both Boots the Chemists and Halfords, plus the tentative moves abroad in Ireland, Holland, Thailand and Japan. But a big deal in Germany for Boots Healthcare International, the over-the-counter drugs operation, would probably be well received.

Meanwhile, the underlying like-for-like sales increases behind yesterday's 8.7 per cent rise in pre-exceptional profits to £536m for the year to March looked credible enough. Forecasts cut as a result of the special dividend to around £575m, put the shares down 2.5p to 692p, on a forward multiple of 16. Reasonable value.

Pilkington: At a glance

Market value: £1.21bn, share price 117p					
Five-year record	93	94	95	96	97
Revenue (£m)	2.57	2.74	2.88	2.90	2.92
Pre-tax profits (Loss) (£m)	41	97	(248)	55.0	77.0
Dividends per share (p)	4.0	4.0	4.2	5.0	5.0



Lasmo pays £283m for Venezuelan oilfields

Chris Godsmark
Business Correspondent

Lasmo, the UK's second largest independent oil exploration group, has embarked on its biggest ever expansion strategy and the most ambitious spending spree since its ill-judged £1bn takeover of rival Ultramar six years ago.

The group is paying \$453m (£283m) in cash, by far its biggest production investment to date, to take over a large oil concession in north-east Venezuela, after beating off competition from operators in Argentina and China. The 20-year contract will also involve a further \$750m of investment paid in the first five years of operations, which will raise Lasmo's forecast production by 25 per cent to 250,000 barrels a day by 2000.

The news gave a further boost to Lasmo's share price, which has already been lifted this year by

news of a potentially lucrative gas find in Pakistan. The shares rose 11p to 259p, just short of their 12-month peak of 262.5p.

The plan is to substantially raise production capacity in the Dacion area in Venezuela, which includes three fields developed since the 1940s. The aggressive strategy, to rehabilitate existing fields, is a departure for Lasmo which has been better known for drilling in newly emerging areas like Algeria. The group said seismic tests had shown additional oil to that uncovered by the existing state operator, Corpoven. No significant test had been carried out since the 1950s.

The \$453m up-front investment would be paid on 1 August and would raise Lasmo's gearing levels from 27 per cent to around 50 per cent. Lasmo denied it was paying too much for the concession. The nearest bidder, from Argentina, had offered \$50m less for the contract

while the Chinese National Petroleum Corporation made a bid of \$329m.

Joe Darby, chief executive said: "We certainly don't think we are over-paying. In fact we could have paid more. It's enormous and 70 per cent of the block remains unexplored."

Mr Darby also dismissed suggestions that the investment was an attempt to head off a potential takeover approach from a rival oil group. "We are not focused on whether we're vulnerable as a takeover candidate. This is purely to add value for shareholders. Gone are the days when we were concerned at being taken over."

Mr Darby said further expansion plans were being considered in North Africa and Pakistan. Existing activities being developed focus on Algeria, the deep water fields to the west of the Shetlands, the Apennine mountains in Italy and a new partnership in Kuwait.

IN BRIEF

Williams' resignation hits DCS shares

Shares in DCS Group, the computer software company, fell 29.5p to 275p on news Bob Williams had resigned as chief executive. "Having managed the successful integration of CSI with the rest of the group, Mr Williams would now like to take time to pursue other interests," a statement from the company said. Robert Arrowsmith has been appointed chief operating officer and Robin Lodge executive chairman. Sue Bygrave has been appointed group financial controller and company secretary.

Profits slide at Hambro Insurance

Hambro Insurance reported a drop in pre-tax profits from £11.09m to £10.9m for the year to 31 March and held the dividend at 5.55p. Earnings per share fell from 10p to 9.4p. Christopher Sporborg, chairman, said dividend cover of two times "remains our medium-term aim", but "if further underlying progress is achieved as expected during the next 12 months, we would intend this to be reflected in an increased dividend to shareholders".

Prospect looks good for second half

Richard Reynolds, chairman of Prospect Industries, said he was confident the company would make progress towards its profit goals and benefit from investing in new management after announcing a rise in first-half losses from £3.32m to £3.52m. He said benefits from the work associated with servicing the repair and maintenance requirements of the UK and Australian power sectors would be seen in the second half of the financial year.

Hopkinsons sells valve business

Hopkinsons Group has sold the valve business of its Bryan Donkin engineering division to Aqua-Gas group for £2.55m. The book value of the assets being sold is £2.17m. In the year to 31 January the valve business made a pre-tax profit of £191,000 on turnover of £5.07m.

Havelock Europa acquires rest of Embu

Havelock Europa, the maker of commercial interiors, has exercised an option to acquire the remaining 16.2 per cent of shares in Embu Holdings for up to £3.25m. The option was granted with its acquisition of 83.8 per cent of Embu in February. Embu owns Hartcliffe, a Bristol-based screen printing company specialising in point-of-sale production for the retail industry.

Dawn Til Dusk buys Milbank for £1

Dawn Til Dusk will acquire Milbank from Birkby and Thornton Products for £1. Milbank operates 38 convenience stores, the majority of which are located in the North-east of England. For the year to 31 March it will report a loss before tax of £211,423 on turnover of £19.7m. A inter-company loan of £3.2m will be repaid to Birkby and Dawn Til Dusk will enter into licence arrangements with the Milbank stores. Milbank will fund £2.5m of the loan repayment by the sale of four freehold shops and its head office.

Profits increase at Bradstock

Bradstock, the insurance group, increased taxable profits from £3.27m to £3.67m in the half year to 31 March. Eddie McGrath, chairman, said structural changes within the market were creating significant opportunities for the company. Robin Gibson is to take early retirement and resign as chief executive on 30 September. The company said Mr McGrath would stay on past his normal retirement date while David Young would add chief operating officer to his responsibilities as group finance director.

Company Results	Turnover £	Pre-tax £	EPS	Dividend
Allegro Furniture (F)	88.6m (88.3m)	6.85m (5.28m)	17.4p (13.9p)	6.4p (5.4p)
Areson (F)	20.8m (17.3m)	3.15m (1.79m)	28.5p (18.8p)	5p (4p)
Baileys (F)	4.6m (4.0m)	571m (508m)	42.5p (35.8p)	20.5p (18.5p)
Bradstock Group (F)	18.8m (18.0m)	3.67m (3.27m)	3.89p (3.02p)	2.8p (1.9p)
Dealey Group (F)	18.3m (16.8m)	3.5m (3.0m)	7p (6.2p)	1.55p (1.35p)
Hambro Insurance (F)	111m (95.0m)	10.9m (11.1m)	8.4p (10p)	5.55p (5.55p)
Hill & Smith Holdings (F)	40.3m (41.7m)	1.78m (1.72m)	3.22p (3.09p)	2.1p (2.1p)
Herring House Prop (F)	4.7m (1.1m)	1.57m (1.14m)	3.22p (4.44p)	3p (3.7p)
Pinkegas (F)	2.8m (2.8m)	77.0m (55.0m)	0.2p (2.8p)	5p (5p)
Pinkettes (F)	554m (507m)	29.8m (4.8m)	15.3p (7.5p)	25p (25p)
Prospect Industries (F)	33.6m (30.3m)	3.52m (3.32m)	0.78p (1.03p)	nil (-)
Radstock (F)	2.4m (2.3m)	346m (272m)	58.4p (53.8p)	22.1p (20.9p)
St (F)	- (-)	419m (347m)	70.4p (68.8p)	9.2p (8.1p)
Victoria Carpet (F)	36.7m (38.3m)	2.25m (8.20m)	7.59p (4.95p)	2.5p (2p)

(F) - Final (I) - Interim (Q) - Nine months

Videotron man gets CWC job

Cathy Newman

Cable & Wireless Communications, the newly formed cable TV and telecoms conglomerate, has appointed an executive to take control of the company's relationship with broadcasters. Peter Howard, marketing and programming director at Videotron, has taken on a similar role at CWC. Mr Howard officially becomes director of content and programming at CWC, with responsibilities for buying channels to transmit to cable subscribers.

Graham Wallace, chief executive, said Mr Howard would report directly to him, and added: "He's going to handle our relationship with Sky and other programme providers."

Mr Howard's role will be increasingly important as CWC gears up for the launch of digital cable television either later this year or at the beginning of 1998. Digital compression will offer consumers hundreds more channels.

CWC is the product of last year's merger of Cable & Wireless's Mercury subsidiary with three cable operators, Bell Cablemedia, Nynex Cable-Comms, and Videotron.

CWC, which floated on the stock market in April, is currently in the throes of a process of rationalisation which will lead to 500 job losses. Staff have been offered loyalty bonuses to stay until the reorganisation is complete.

Benchmark spends £120m on properties

Cathy Newman

Benchmark Group, the acquisitive property investment company, announced its biggest purchase to date yesterday as it snapped up a total of 12 properties for £120m. It also pledged to spend a similar sum on suitable targets in the near future.

The news, which took the value of Benchmark's portfolio to £330m, moved the company closer to its stated aim of having a portfolio worth £500m by the year 2001.

Benchmark bought 11 properties from Friends Provident for £82m, and a £38m West End location, Wool House, from Chelsfield.

The group will raise £119m for the deal through a rights issue of over 60 million new ordinary shares at 200p a share. Shareholders' approval will be sought at an extraordinary general meeting at the end of the month.

KC Wong, joint managing director, said he was casting his eye over "undervalued assets" over the next year, and could justify spending around £100m if the opportunity arose. However, he added: "We're not growing for the sake of growing; we'll buy as and when the opportunities arise."

The Friends Provident deal

on properties in central London and Leadenhall in the City, followed talks since last October, when FP sold a central London portfolio to Benchmark for £133m, in return for a 35 per cent stake in the company. The move transformed Benchmark overnight from a £3m tiddler into a business with a market worth of £100m. The company was last night valued at £147m. Shares jumped 4p to 244p yesterday.

Benchmark will undertake office refurbishments of the central London sites formerly owned by FP, and has applied for planning permission to create 22,000 square feet of offices in the Leadenhall location.

Mr Wong said the company had been "pointed in the direction" of the Chelsfield acquisition. Planning permission at Wool House has already been obtained, and work is to begin shortly on 97,750 square feet of offices, and a smaller area of residential developments.

Benchmark declared a maiden dividend of 3p a share for the year to the end of June this year, instead of a final dividend at the end of the year. As a result of the deals Benchmark would be taking on other three senior managers, Mr Wong said.

Staid 3i is one to put away for later

For a company whose *raison d'être* is providing seed capital for small, energetic businesses, 3i is a remarkably staid institution. No surprise then that its chief executive, Brian Larcombe, should be promising more of the same when he takes over the reins.

Results for the year to March were equally unremarkable. A total return during the year of 241p represented 16 per cent of 3i's shareholders' funds at the beginning of the period. That compared with a total return of nearly 19 per cent on the FT All share index, with the differential almost wholly accounted for by 3i's lack of exposure to banks, oils and pharmaceuticals, this year's star performers.

Indeed 3i has made a virtue out of its position at the smaller end of the venture capital industry, providing funds for deals of less than £100m. It has been right to do so.

It is estimated that there is £4bn of un-

vested money at top end of the market, pushing purchase multiples up sharply while exit prices on flotation or trade sales have remained unchanged.

In the year to March net assets per share grew by 14 per cent to 486p on the back of a 21 per cent increase in investment to £742m into 372 separate businesses.

The company dismisses talk that the UK has become saturated and claims that of the 100,000 companies in Britain it would like to invest in, so far it has stakes in just 3,000. There is still plenty to go for.

With short-term returns determined by the company's own valuation of unquoted investments, the only way to look at 3i is as a long-term play on one of the most dynamic parts of British industry.

Over the long term its earnings and dividend can be expected to outperform the rest of the stock market by a small margin. As such it is one to buy and forget about.

SGB's flotation value slips back to £112m

Magnus Grimond

SGB, the scaffolding group being floated by the John Mowlem construction group, will be valued at £112m when it comes to the stock market this month, around £25m less than expectations in May. Mowlem blamed difficulties in finding quoted comparative companies to what is one of Europe's biggest scaffolding suppliers, but there was also institutional resistance to the higher valuation.

Gerry Brown, the construction group's finance director, said: "There are a lot of attractive investment opportunities for the available cash. We have to be honest with ourselves that scaffolding is less attractive than some of the more glamour industries."

The 150p-a-share price fixed upon resubmission in a 30 per cent over-subscription of the 49 per cent stake in SGB placed by Mowlem among City investors yesterday morning. But Mr Brown said there had been some resistance among institutions to paying higher prices for

the shares, which some observers had been expecting to be launched nearer 175p. One analyst said yesterday the shares "should be successful at this sort of level. I can see them moving ahead to 165p fairly quickly."

Mr Brown said the final value of the placing was still above the level originally mooted when the flotation process started. Then they had been thinking in terms of net asset value, which, depending on the amount of debt loaded onto SGB, is expected to be around £93m.

The pricing level agreed on means SGB will raise £34.3m from the flotation, with another £18.9m going to Mowlem, which will book a profit of £9.5m on the deal, offset by a non-cash charge of £37.1m to cover goodwill previously written off. Effectively all the money raised by both parties in the float will be used to repay a £50m 11.5 per cent Eurobond issued by Mowlem, which will incur a penalty of around £7m as a result of redeeming it early.

Based on last year's operating profits of £16m for SGB, the

150p placing price represents 12 times historic earnings, which falls to 11 based on analysts' forecasts of around £18m for the current year.

Bob Stokell, SGB's chief executive, said he was "absolutely delighted" with the placing having gone. "We gain a terrific base of blue-chip shareholders. The oversubscription... should lead to a buoyant and healthy aftermarket. We have an exciting future ahead."

Mr Stokell and the three other executive and three non-executive directors are putting up around £250,000 to buy shares at the placing price. Most of that sum will come from Ken Minton, non-executive chairman, who is buying some 100,000 shares. In addition, executive directors are being granted share options worth three times salary, which range from just over £100,000 to a little more than £160,000 for the chief executive. The options are being priced at the mid-market close following the first day's dealings, which are expected on 25 June.

26 business

German growth picks up

Inre Karacs
Bonn

The German economy has started to grow again, but the expansion appears too weak to make an impact on the government's budget deficit. Figures issued yesterday by the Bundesbank showed that the economy expanded in the first quarter of this year by 0.4 per cent compared with the last three months of 1996.

The Federal Statistics Office reported that year-on-year growth stood at 1.4 per cent. This contradicts pessimistic forecasts earlier this year, which had anticipated a slight downturn following the extremely cold weather in January.

Economic activity in the first

quarter was weighed down by a slump in the construction sector, and there was virtually no change in the consumer market. Unemployment fears and increased social security contributions kept private consumption down.

There were, however, signs of a pick-up in the corporate sector, where investment in equipment rose for the second quarter in succession. Business confidence was boosted by the export boom, attributed to a weak mark and rising demand in foreign markets. In comparison with the previous year, exports grew by 6.8 per cent between January and March.

Statistics for March and April orders, published by the Economy Ministry yesterday, confirmed that the upswing was

gathering strength. Both domestic and foreign orders grew by an unexpectedly strong 3 per cent in April, while contracts for domestic capital goods increased by 2.1 per cent. Demand for goods made in the east was up by 9 per cent. These are the first indications that growth is no longer relying on exports alone.

Günter Rexrodt, the Economics Minister, seized on the statistics as evidence that Germany had resumed its competitiveness, and suggested that the improvement in the labour market was just around the corner.

Despite his optimism, however, the latest figures hold out little hope for the 4.2 million unemployed. Due to a 2.9 per cent increase in productivity, more than half a million jobs disap-

peared in the first quarter. Official statistics on the latest unemployment figures are expected to appear today, but persistent leaks foreshadow another disappointment. Although the unadjusted figure fell in May, seasonally adjusted joblessness in May is expected to be above last year's level.

Nor is the better economic climate likely to help the government meet the Maastricht criteria for monetary union. Even at the official forecast of 2.5 per cent growth this year, the deficit is projected to be up to half a per cent above the permitted limit of 3 per cent.

Despite the latest improvements, most institutes do not expect growth to exceed 2 per cent this year.

Autif chairman leads the way ... 16,000 feet to Everest base camp

PEOPLE & BUSINESS



Lewis McNaught: Found new heights to scale after his South Pole expedition

Lewis McNaught, head of the Retail Division at fund managers Gartmore and current chairman of the Association of Unit Trusts and Investment Funds (Autif), plans to follow his trip to the South Pole in January by accompanying an Everest expedition next year.

Gartmore, better known for its sponsorship of the Round Europe yacht race which is taking place at the moment, is also planning to sponsor the expedition.

At this precise moment the intrepid Mr McNaught is sailing the Channel on the QEII with 800 independent financial advisers on the annual PIMS cruise, but I understand he is planning to take a Gartmore party with him next year and hopes to get them at least as far as the base camp, which is over 16,000 feet up the mountain. The thought has caused a shiver of excitement among the IFA community and even some financial journalists are thought to have started deep-breathing exercises in the hope of getting on the trip.

McNaught himself is something of an all-rounder as well as a high achiever. Apart from his commitment to roughing it in cold places he has a degree in Archaeology and Ancient History, spent five years as an Egyptologist at the British Museum and was president of Apley Fine Art Consultants, a subsidiary of a New York brokerage house advising clients on fine art investment, before joining Gartmore 14 years ago.

The new head of Salomon Brothers European Mergers and Acquisitions division based in London is Philip Keevil, a 50-year-old Brit who went to Harvard Business School in 1973, married an American and decided to make his career in New York. He was a partner of Lazarus Frères and then managed Warburg's North American investment banking business before joining Salomon Brothers. He was part of the team that bought Jaguar for Ford, Pillsbury for Grand Met and Brooks Bros for M&S, and most recently has specialised in energy acquisitions for US utilities.

Salomon is best known for its "offensive" skills in contrast to, say, Goldman Sachs, who are best known for their defensive expertise. Mr Keevil expects cross border M&A business to grow, with the main emphasis still on US acquisitions world-wide, although European companies are taking more of an interest in the US, and intra-European mergers are certain to multiply as the growth of European pension funds puts increasing pressure on companies to perform and merge.

He will fly to London on Tuesday, his

25th wedding anniversary, to look for a house and a school for his younger son. He is selling his house in Oyster Bay to move to central London. He likes to garden, shoot and play squash, tennis and golf. He is also a keen rugby watcher and a lifelong supporter of, wait for it, West Ham!

All City customs have to start some time and the Conney & Barrow Golf Croquet League, which was first held in 1995, neatly combines the City's traditional interest in gentlemanly pursuits with just a touch of Eighties brashness to create an image of competitiveness and style which is wholly Nineties.

Two-man teams from over 100 City firms will take part in the 1997 tournament, which begins next Tuesday with a champagne launch attended by Count Edouard de Nazelle of Veuve Clicquot, together with last year's winners, the Rolling Bulls from Leopold Joseph.

Let us hope Tony and Robin brought a sense of humour to Whitehall. Newcastle's United's Toon Army have asked their leading supporter Tony Blair to seek an opt-out from the possibility of defeat in the Champions' League next season.

They are also demanding Robin Cook ensure the Toon Army will escape possible integration in a European defence force, and secure a pledge to keep Stottie Cakes (a local sandwich speciality, I'm told) round in the face of pressure from Brussels to make them square.

Newcastle supporter Gary Carter sums up the demand in the vernacular: "Howay man, it's the least Rob can do. Nee one's gannin' to mek me eat baguettes." Newcastle shares were rock steady at 114p on the news.

I am told employees of Bell Cablemedia, now part of Cable & Wireless Communications, are so disenchanted about their prospects in the enlarged group they have taken to calling the parent's trendy globe logo the Death Star. The shares are down in the dumps too, at 263.5p after hitting 306p in early trading last month.

Clifford German

£50m to spend at Powell Duffryn

Cathy Newman

Powell Duffryn, the ports to engineering group, is to go on the acquisition trail with around £50m in cash once it completes the disposal of some of its non-core businesses.

The company could gain up to £25m from the disposal of the fuel distribution division and four other businesses, which include a rolling stock operation and a software subsidiary.

Barry Hartiss, Powell Duffryn's chief executive, said he was talking to potential bidders but would not be drawn on a timetable.

Together with the £40.7m raised from disposals since the end of March last year, the group would have in excess of £50m to devote to investment and acquisitions in the two core operations, engineering and ports.

Mr Hartiss said it would be difficult to acquire in the ports sector as most of the main ports were in plc hands. He added that he would be looking at further opportunities in the engineering sector.

"The money's not going to burn a hole in our pockets," he said.

Mr Hartiss became chief executive two years ago and since then has steered the company through a refocusing on its key ports and engineering sectors.

Announcing profits before tax and exceptional gains of £4.5m for the year to the end of March, Mr Hartiss said that despite the adverse effect of the strength of sterling on engineering exports, he was more optimistic about the future.

However, a charge of £14.3m, mainly due to losses on disposals of liquid storage terminals, brought profits down to £2.9m.

Mr Hartiss said the sale of the terminals removed the "potentially serious risk" of environmental liabilities, as all but one of the buyers agreed to assume responsibility for past or future contamination of the sites.

Powell Duffryn's final dividend is being held at 17p, leaving the total payout unchanged at 25p.

Dai-Ichi Kangyo chiefs arrested

Three executives and a former executive of Dai-Ichi Kangyo Bank were arrested yesterday on suspicion that they loaned £159m to a reputed racketeer, a large amount of which was not backed by collateral.

The arrests are the first involving the bank, the oldest and third-biggest in Japan, and are part of the escalating scandal involving Nomura Securities. The president and chairman of the bank, who were not arrested, are to resign.

Ryuichi Koike, the reputed racketeer, allegedly used some of the loans to buy 300,000 shares in Nomura, prosecutors said. He is then said to have used his position as a shareholder to extort £264,000 from Nomura, Japan's and the world's largest brokerage.

The arrests yesterday came just 24 hours after prosecutors indicted Nomura and two former executives, saying they illegally compensated Mr Koike for trading losses, a crime under Japanese securities laws.

The four bankers arrested yesterday were Tatsuo Shibuya, director of the general affairs department, the section of

Japanese companies that usually deals with corporate executives; Hiroshi Inoue, a former managing director and former head of general affairs, who has left the bank; Takashi Masabe, deputy manager of general affairs; and Michiyoshi Kusajima, a former deputy manager of general affairs.

Tokyo prosecutors declined to comment on the arrests, which were described by a spokesman at the Bank of Japan as "extremely regretful".

Dai-Ichi Kangyo loaned the money to Koike Building, a Tokyo-based real estate company owned by Mr Koike's younger brother, Yoshimori, the bank's president, Katsuhiko Kondo, said in a written testimony before the lower house budget committee yesterday.

The bank made the loans to what it thought was a legitimate business and it did not know of the connection to Mr Koike, added Mr Kondo, who said that as much as £46m of the money was unrecouped.

Dai-Ichi's chairman, Tadashi Okuda, and Mr Kondo will resign at the company's annual meeting on 27 June.

Foreign Exchange Rates				
Country	Spot	1 month	3 months	D-Mark
US	160.00	160.00	160.00	160.00
Canada	24.35	24.35	24.35	24.35
Germany	2.48	2.48	2.48	2.48
France	166.40	166.40	166.40	166.40
Italy	1936.00	1936.00	1936.00	1936.00
Japan	160.00	160.00	160.00	160.00
Netherlands	2.20	2.20	2.20	2.20
Belgium	36.36	36.36	36.36	36.36
Denmark	136.76	136.76	136.76	136.76
Norway	136.76	136.76	136.76	136.76
Sweden	136.76	136.76	136.76	136.76
Switzerland	1.73	1.73	1.73	1.73
Australia	1.54	1.54	1.54	1.54
South Africa	1.54	1.54	1.54	1.54
New Zealand	1.54	1.54	1.54	1.54
Saudi Arabia	1.54	1.54	1.54	1.54
Singapore	1.54	1.54	1.54	1.54

Interest Rates										
UK	6.25%	Germany	Discount	2.50%	US	Prime	8.75%	Japan	Discount	0.50%
France	5.50%	Canada	4.50%		Prime	Discount	8.75%	Belgium	Discount	7.50%
Intervention	3.5%	Canada	4.50%		Fed Funds	5.25%	Portugal	Discount	2.50%	
Italy	7.50%	France	4.50%		Spain	9.00%	Greece	Central	30.0%	
Belgium	7.50%	Netherlands	5.00%		10 Day Repo	5.52%	Spain	Discount	10.0%	
Netherlands	7.50%	Denmark	Discount	2.50%	Repo (Ave)	4.10%	Italy	Discount	4.25%	
Advances	2.70%	Discount					Lombard			
Bond Yields										
Country	5yr	yield %	10yr	yield %	Country	5yr	yield %	10yr	yield %	
UK	7.0%	7.00	7.25%	7.13	Netherlands	8.25%	4.70	5.75%	5.70	
US	8.83%	8.84	8.25%	6.82	Spain	7.80%	5.62	7.35%	6.58	
Japan	5.50%	1.87	2.50%	2.85	Italy	8.25%	8.73	6.75%	7.21	
France	6.00%	6.85	6.75%	7.24	Belgium	8.00%	4.82	6.25%	5.50	
Germany	8.00%	4.88	6.00	5.83	Sweden	13.0%	5.75	6.50%	6.93	
France	4.75%	4.70	5.50%	5.73	ECU OAT	8.00%	4.77	5.50%	6.17	
Yields calculated on local basis					new benchmark					
Money Market Rates										
	Over/ht	7 Day	1 Month	3 Months	6 Months	1 Year				
Interbank	5 6	6 6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Standing CDs	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Local Authority Depos	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Discount Market Depos	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Overnight Bills (Buy)	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Discount CDs	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
ECU Linked Dep	5 6	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2				
Tourist Rates										
£ Buys	£ Buys	£ Buys								
Australia(Dollars)	2.0668	France(Francs)	8.2200	New Zealand(Dollars)	2.3050					
Australia(Schillings)	19.2800	Germany(Mark)	2.7375	Norway(Norway)	11.2875					
Belgium(Francs)	96.5300	Greece(Drachma)	437.0000	Portugal(Escudos)	274.2500					
Canada(Dollars)	1.2900	Hong Kong(Dollars)	12.2500	Spain(Pesetas)	226.0000					
Cyprus(Pounds)	0.1415	Italy(Lira)	1.0630	Sweden(Krona)	12.4000					
Denmark(Kroner)	10.6300	Italy(Lira)	27.1500	Switzerland(Francs)	2.2515					
Denmark(Gulden)	3.0700	Japan(Yen)	185.7000	Turkey(Lira)	226.4000					

Liffe Financial Futures				
Contract	Settlement	High/Low	Open	Close
Long Gilt	115.04	115.10	115.00	115.00
Short Gilt	115.04	115.10	115.00	115.00
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18
3 Mth Euribor	98.18	98.20	98.18	98.18

East/Conts traded			Open interest	London Metal Exchange			
37591	2000	Aluminum HG	15765-77.5	13993 0-0	113816	734360	- chrg
37591	2000	Aluminum Alloy	14804-85.0	1484-0-85.0	11166	61590	- 20
58244	80834	Copper A	25233-0-0	2476-0-76.0	426968	1325500	- 505
10	10	Iron	697-52-55	535-0-0-0	5840	117025	- 12
16138	130828	Nickel	7110-71.5	7220-72.25	26274	52325	+ 13
115422	115422	Sn	5605-5615	5640-5650	4958	12355	+ 85
11439	201162	Zinc	1346-0-47	1365-0-70.0	11754	52325	- 355
72317	107958	Settlement Conversion exchange rates:		926 3/8m 1.8237 1.7256	115.55	Seck weeks & change in interest as at Tues 5 o'clock	
15941	219763						
10	10						
4768	39454						
5867	5867						
659	659						
6597	6597						
17135	5063						
913	5063						
Cull/Put				Spike & Sor			
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Stock	Sell	Buy	Yld	Stock	Sell	Buy	Yld
ASAC AMRO Petroleum Ltd				Gas Cons Inc Inc	128.60	128.60	2.76
ASAC Building Inc. London #213 A.H.				Gen Corp Inc	128.60	128.60	2.76
Asphalt & Drilling: 0171 712 2264				Gen Corp Inc	128.60	128.60	2.76
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Asphalt & Drilling: 0171 712 2264		</					

Stock	Set	Buy	Yld	Stock	Set	Buy	Yld
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
British Tele. Trunk	165.57	175.13	0.46	British Tele. Trunk	165.57	175.13	0.47
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Accum Unit	201.7	1.92%	3.28
Accum Unit	208.9	1.92%	3.28
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Hingis finds reserves of resilience

Tennis

JOHN ROBERTS
reports from Roland Garros

Martina Hingis does not find winning Grand Slam titles quite so easy as falling off a horse, but it is getting close. Six weeks after knee surgery following her latest tumble, the 16-year-old world No 1 is just one match away from adding the French Open championship to January's triumph in Australia.

Iva Majoli, the 19-year-old Croatian ninth seed, stands between Hingis and the second leg of a sweep of the year's four major singles championships, a feat achieved by only three women, Steffi Graf (1988), Margaret Court (1970) and Margaret Connolly (1953).

Hingis still has a long way to go, but judging by her performances here in Paris while rehabilitating the left knee, the 16-year-old Swiss will take some stopping. Majoli, who edged out South Africa's Amanda Coetzer, 6-3, 4-6, 7-5, in a match of 20 service breaks, has on one of her three previous meetings with Hingis, but this will be their first match on clay.

Yesterday's victory against Iva Majoli, 6-7, 7-5, 6-4, high extended Hingis's winning sequence for the year to 40 matches (including the Hopman Cup and Fed Cup), was a triumph of breathtaking skill and mental and physical resilience. "I have never been so happy as making a match point as this time," Hingis said, "because I didn't know what to expect from myself in this tournament. It's never easy to come back after surgery. My goal is to reach the semi-finals, and I have a great chance to win a whole tournament. If you said that I would make the final six weeks after the surgery, I would say: 'Thank God I would play and compete at this level'."

She admitted that fatigue did concern her during the first stages of the two hours and 18 minutes duel with Seles. "I didn't feel in good shape any more and I was almost shaking

because I didn't want to lose." Ecstatic after the moment of victory, Hingis summoned the energy to hurl balls to cheering spectators on the four sides of the Centre Court.

Even if Hingis wins tomorrow's final, Seles will keep her record as the youngest French singles champion. The Serbian-born American was 16 years and six months (two months younger than Hingis is now) on achieving the first of three consecutive victories here before her career was interrupted by the stabbing in Germany in April 1993.

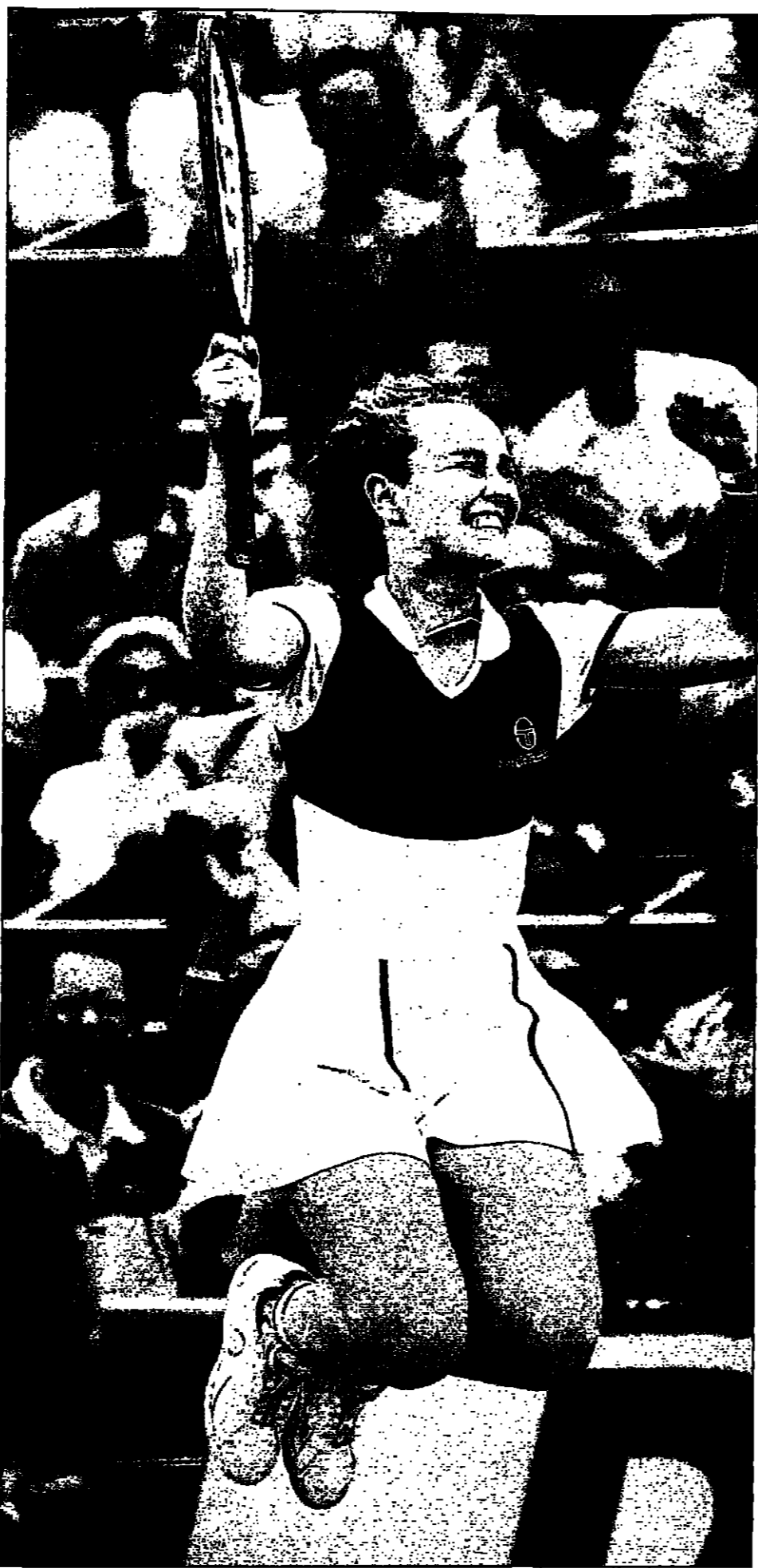
A fascinating contest between Seles's powerful two-handed driving and Hingis's broad range of strokes and strategy was in the balance after Seles took the risk of playing a drive volley, which thudded into the net and virtually cost her the second set. "I felt pretty comfortable till I missed that crazy shot," Seles said.

Once Hingis broke for 2-1 in the third set, it appeared that only a physical let-down would keep her from the final. "That early break took the momentum away," Seles admitted. Obviously Martina played better tennis than I did today. That's why she won. She has a great touch.

"I don't have the strength and intensity of the strokes that I used to have. I'm missing way too many shots that before would just go in. Martina had that consistency throughout the match, especially at key times."

Hingis has now won all four of her matches against the former world No 1. Seles has made the last two close, but not close enough. "Martina is playing just amazing tennis, not just for this tournament but throughout the year," she said. "The way she plays, with all the expectations, I think that's wonderful."

Tim Henman is to play doubles with Pete Sampras at the Stella Artois tournament at Queen's Club, London, beginning on Monday. The pairing is at the instigation of the American world No 1.



The world No 1, Martina Hingis, celebrates her semi-final victory over Monica Seles at the French Open yesterday. Photograph: AFP

Global show hits Knowsley Road

Credibility will be on the line on different levels when one of the most ambitious club tournaments any sport has attempted kicks off at St Helens tonight.

The World Club Championships are a colossal undertaking and need to generate massive public interest to justify themselves.

Super League came to power on an agenda of more and better international competition, but that dimension has been flawed. It cannot stage Ashes rugby in its fullest form. The promised expansion to whole new areas of the globe remains a mirage. But this is something that Super League can do. By bringing together most of the leading club sides in the world, it can make a show of strength.

Of all the people involved, the two with the most credibility at stake are its architects, the chief executives of Super League in its two hemispheres, John Ribot and Maurice Lindsay.

Ribot is to stand down in Australia, thus removing his abrasive presence from the compromise talks with the ARL. Lindsay has revealed that he too has been tempted to walk away.

Dave Hadfield on the start of a rugby league extravaganza

The pay-off for all the dislocation of the Super League revolution has to be something new and special. Lindsay believes that this, even as a one-season wonder, is it. Should the Visa World Club Championship flop, his credit rating will be low.

Equally under scrutiny will be the credibility of the British game as a whole. Claims that Super League and summer rugby have vastly improved the game are overblown, but fears that they would kill it have also proved to be greatly exaggerated.

Many of the traditional virtues of the code have re-asserted themselves, but most clubs are still broke and we still seem incapable of having more than a couple really playing to the highest standards at any one time. Currently, they are Bradford and Wigan; it needs one of them, or some unconsidered outsider, to have a real stab at winning the thing if it is to be considered a success from a British point of view.

British clubs and players are highly motivated by the sheer novelty of the enterprise; the Australians possibly less so. The clubs which have arrived here have come out with all the right sentiments, but the ones on home turf have sounded a little blasé.

Canberra are resting Laurie Daley against Halifax, while a coach as thorough as Canterbury's Chris Anderson admits he has not watched Wigan on video. There is a theory that the Aussies are vulnerable this time. Their strength has been diluted by the demands of two rival camps, but strength is relative, as illustrated by the opening game tonight at Knowsley Road. Saints were the commanding presence on this side of the world, while Auckland have lost seven in a row and are bottom of their league.

Saints' coach, Shaun McRae, who knows most of Auckland's players from working with them during the 1995 World Cup, says: "If they are at the bottom of Super League, the teams above them must be playing some superb football."

That is a measure of the challenge for British clubs. Even the most unsuccessful of their opponents have an aura around them. Not everyone attending or tuning in to the WCC will understand all its myriad complexities, but they will appreciate the significance of a few victories over Brisbane, Canberra and the like, during a summer of sport flagged up as "Britain versus the World."

Five to follow in the World Club Championship

AUCKLAND WARRIORS: Scrummaging underachievers, considering the money spent on expanding the Super League to New Zealand, capable of brilliant rugby in patches, but lack the power of concentration needed to win. Players to watch: Robbie Ross, Noel Goldstone, Stuart Hastings, Tony Ross. PRESTON PIRATES: The Pirates were the first to lose their first match, but they could be a real threat to the British side. Players to watch: Robbie Ross, Noel Goldstone, Stuart Hastings, Tony Ross. GLASGOW SEAGALS: The sun-baked and scrumming underachievers, but they have shown signs of getting their act together. Players to watch: Robbie Ross, Noel Goldstone, Stuart Hastings, Tony Ross. BRISTOL GLADIATORS: The team that has been the most successful in the competition so far. Players to watch: Robbie Ross, Noel Goldstone, Stuart Hastings, Tony Ross. HULL FALCONS: The team that has been the most successful in the competition so far. Players to watch: Robbie Ross, Noel Goldstone, Stuart Hastings, Tony Ross.

Rose droops a little

Golf
ANDY FARRELL
reports from Royal St George's

So Justin Rose will not become the Amateur champion at the age of 16 but, after all, Tiger Woods did not win his first senior national title until he was 18. His performance this week in the Garden of England, though, has only enhanced his reputation and Rose can expect to hear that comparison over and over again.

"Justin will be the Tiger Woods of the European tour," said Sam Little, after he had beaten Rose 7 and 5 in their last-16 match. "He did not putt well this afternoon, but you can see he has all the shots you need."

Rose, in his first full year on the amateur circuit after leaving school with eight GCSEs, has already won one significant title and yesterday morning beat the talented Spaniard José Manuel Lara, 6 and 5. Though the wind bore no comparison

with the gale of earlier in the week, it was stout enough to make this course a stern test and Rose was four under for his 13 holes.

However Little, 21, whose brother Jamie lost in the first round, had to a good start to go three up after five. At the next, Rose put his tee shot to four feet, but Little holed from 15 feet to prevent a switch in momentum in the match. When Rose three-putted the 10th and 11th, Little was firmly in command.

In this morning's quarter-finals, the Moor Park player faces another youngster, Trevor Immanuel, 17, who has won each of his last six tournaments in South Africa, including their national title. Immanuel came over early to watch his countryman Ernie Els at the PGA at Wentworth, as they share the same coach.

Bath's Colin Edwards prevented the top half of the draw becoming an all-tartan affair by beating the local club pro's son, Michael Brooks, by one hole. Edwards, 33, now plays Barclay's Cup experience remaining. The 44-year-old Scot was taken to the 19th by the France's Jacques Thalmay in the morning and then put out the Brabazon Trophy winner, David Park, 3 and 2, in the afternoon.

Luc Alphonse, the overall Alpine World Cup champion, said yesterday he was retiring. In March the 31-year-old became the first Frenchman to win the World Cup since Jean-Claude Killy in 1968.

Speedway
WEDNESDAY'S LATE RESULTS: Eddie Langford, King's Lynn 50 Wolverhampton 40; Poole 50 Ipswich 40. Premier League: Linton 40; Stoke 44; Hull 41; Reading 49.

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Gotti wears down rivals

cycling

n Gotti extended his race lead he Giro d'Italia to one minute seconds yesterday as his chief rival, Russia's Pavel Tonkov, fell back from a crash. Italy's finished three minutes and 18 seconds behind Spain's Rubiera, who won the 16th leg from Predazzo, and seconds ahead of Tonkov, who fell on a mountain descent in the last 20 km, after six untimely climbs. Tonkov was 23 seconds behind Italian rival, whose overnight

advantage was just 37 seconds. Roberto Conti was second and Giuseppe Guerini third, with Gotti chasing them home. Guerini moves to third overall, six minutes in arrears, replacing his team-mate Luc Abbat, who has pulled out after his crash in Wednesday's time trial.

Before the stage started, police staged a dawn raid on the hotel rooms occupied by the MG-Techno team. Nothing was seized in the raid by the paramilitary police squad, which specialises in investigations into food adulteration and pharmaceutical abuses.

Iammond blow for Saints

gby League

Helens' preparations for their opening World Club Championship match against Auckland Warriors have been by news their stand-off, Iammond, writes Dave Hadfield. hat means the 18-year-old in Johnson retains his position. Saints have four others back tonight: Steve Scott, Apollo Perrelli, Keiron Mingham and Chris Joynt. Pickavance is on the bench, while Julian O'Neill plays in the

front row. The Warriors' coach, Frank Endacott, has listed Denis Betts to pack down at loose forward, with Tony Tumavave in the second-row and Brady Malam up front. Tea Ropati will be at centre.

Shaun Edwards is on the bench for London at Brisbane this morning. The Australian Super League leaders will be at full strength, apart from the injured Michael Hancock.

Sheffield have signed two young Leeds forwards, Marcus Vassilakopoulos and Ricky Wright, on a month's loan.

Athletics

Romania's Mihaela Melinte had her hammer throw of 69.00m, set in February in Bucharest, ratified yesterday as a world record by the IAAF. However, Melinte bested that with 69.58 two weeks later in the same city. The new mark is expected to be ratified in the next few weeks.

John Regis, of Belgium, the British 200m record holder, has pulled out of tomorrow's British League Division One match at Hendon and is therefore out of contention for Britain's Europe Cup team. Unfortunates will run in both sprints for Puma Thames Valley Harriers.

Sports bra manufacturer Berlei have signed an initial two-year deal worth £50,000 to sponsor the UK Women's League. The Berlei Shock Absorber Women's League begins on Sunday and runs to 24 August.

Baseball

AMERICAN LEAGUE: Baltimore 9 New York Yankees 7; Cleveland 4 Chicago 0; Milwaukee 13 Boston 11; Anaheim 7 Kansas City 3.

NATIONAL LEAGUE: Houston 5 Cincinnati 2; Montreal 3 Atlanta 0; Philadelphia 0 Chicago 0; Pittsburgh 0 St Louis 10; New York Mets 3 Florida 0; Colorado 6 San Diego 7; Los Angeles 5 San Francisco 1.

Basketball

NBA Finals: Chicago 97 Utah 85 Chicago lead best-of-seven series 2-0.

Boxing

Spencer Oliver will kick off a transatlantic television double-header on 12 July when he defends his European super-bantamweight title against Canadian Serge Poljanec at Kensington Olympia. Then at Lake Tahoe in Nevada, Lennix Lewis defends his WBC heavyweight championship against Henry Almendares at midnight. Both fights will be shown by Sky television.

EUROPEAN JUNIOR CHAMPIONSHIPS (Birmingham): 48kg Thomas (Fr) 10 M Cunningham (Ir) 8; 54kg S Miler (Eng) 12 J Cheah (Mal) 6; 60kg D Sison (Phil) 10 G Wale (Eng) 7; 66kg M Dean (Eng) 10 B Connell (Ire) 10; 72kg T Doherty (Ir) 8; 81kg P Perton (Eng) 10 P Doherty (Ire) 8.

Speedway

7.30 unless stated
ELITE LEAGUE: Belle Vue v Swinton.

Football

WORLD CLUB CHAMPIONSHIP: Pool A: Brisbane Broncos v London Broncos (10.30am); St Helens v Auckland Warriors (1.30).

WORLD CLUB CHAMPIONSHIP: Pool B: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool C: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool D: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool E: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool F: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool G: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool H: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

WORLD CLUB CHAMPIONSHIP: Pool I: St Helens v Auckland Warriors (1.30); London Broncos v Brisbane Broncos (1.30).

SPORTING DIGEST

Cycling

GIRO D'ITALIA 16th stage (Predazzo to Fiesch, 222km) leading placings: 1 J Gotti (Ita) 6:00; 2 P Conti (Ita) 6:01; 3 M Gotti (Ita) 6:02; 4 S Gotti (Ita) 6:03; 5 P Gotti (Ita) 6:04; 6 S Gotti (Ita) 6:05; 7 S Gotti (Ita) 6:06; 8 P Gotti (Ita) 6:07; 9 S Gotti (Ita) 6:08; 10 P Gotti (Ita) 6:09; 11 S Gotti (Ita) 6:10; 12 P Gotti (Ita) 6:11; 13 S Gotti (Ita) 6:12; 14 P Gotti (Ita) 6:13; 15 S Gotti (Ita) 6:14; 16 P Gotti (Ita) 6:15; 17 S Gotti (Ita) 6:16; 18 P Gotti (Ita) 6:17; 19 S Gotti (Ita) 6:18; 20 P Gotti (Ita) 6:19; 21 S Gotti (Ita) 6:20; 22 P Gotti (Ita) 6:21; 23 S Gotti (Ita) 6:22; 24 P Gotti (Ita) 6:23; 25 S Gotti (Ita) 6:24; 26 P Gotti (Ita) 6:25; 27 S Gotti (Ita) 6:26; 28 P Gotti (Ita) 6:27; 29 S Gotti (Ita) 6:28; 30 P Gotti (Ita) 6:29; 31 S Gotti (Ita) 6:30; 32 P Gotti (Ita) 6:31; 33 S Gotti (Ita) 6:32; 34 P Gotti (Ita) 6:33; 35 S Gotti (Ita) 6:34; 36 P Gotti (Ita) 6:35; 37 S Gotti (Ita) 6:36; 38 P Gotti (Ita) 6:37; 39 S Gotti (Ita) 6:38; 40 P Gotti (Ita) 6:39; 41 S Gotti (Ita) 6:40; 42 P Gotti (Ita) 6:41; 43 S Gotti (Ita) 6:42; 44 P Gotti (Ita) 6:43; 45 S Gotti (Ita) 6:44; 46 P Gotti (Ita) 6:45; 47 S Gotti (Ita) 6:46; 48 P Gotti (Ita) 6:47; 49 S Gotti (Ita) 6:48; 50 P Gotti (Ita) 6:49; 51 S Gotti (Ita) 6:50; 52 P Gotti (Ita) 6:51; 53 S Gotti (Ita) 6:52; 54 P Gotti (Ita) 6:53; 55 S Gotti (Ita) 6:54; 56 P Gotti (Ita) 6:55; 57 S Gotti (Ita) 6:56; 58 P Gotti (Ita) 6:57; 59 S Gotti (Ita) 6:58; 60 P Gotti (Ita) 6:59; 61 S Gotti (Ita) 7:00; 62 P Gotti (Ita) 7:01; 63 S Gotti (Ita) 7:02; 64 P Gotti (Ita) 7:03; 65 S Gotti (Ita) 7:04; 66 P Gotti (Ita) 7:05; 67 S Gotti (Ita) 7:06; 68 P Gotti (Ita) 7:07; 69 S Gotti (Ita) 7:08; 70 P Gotti (Ita) 7:09; 71 S Gotti (Ita) 7:10; 72 P Gotti (Ita) 7:11; 73 S Gotti (Ita) 7:12; 74 P Gotti (Ita) 7:13; 75 S Gotti (Ita) 7:14; 76 P Gotti (Ita) 7:15; 77 S Gotti (Ita) 7:16; 78 P Gotti (Ita) 7:17; 79 S Gotti (Ita) 7:18; 80 P Gotti (Ita) 7:19; 81 S Gotti (Ita) 7:20; 82 P Gotti (Ita) 7:21; 83 S Gotti (Ita) 7:22; 84 P Gotti (Ita) 7:23; 85 S Gotti (Ita) 7:24; 86 P Gotti (Ita) 7:25; 87 S Gotti (Ita) 7:26; 88 P Gotti (Ita) 7:27; 89 S Gotti (Ita) 7:28; 90 P Gotti (Ita) 7:29; 91 S Gotti (Ita) 7:30; 92 P Gotti (Ita) 7:31; 93 S Gotti (Ita) 7:32; 94 P Gotti (Ita) 7:33; 95 S Gotti (Ita) 7:34; 96 P Gotti (Ita) 7:35; 97 S Gotti (Ita) 7:36; 98 P Gotti (Ita) 7:37; 99 S Gotti (Ita) 7:38; 100 P Gotti (Ita) 7:39; 101 S Gotti (Ita) 7:40; 102 P Gotti (Ita) 7:41; 103 S Gotti (Ita) 7:42; 104 P Gotti (Ita) 7:43; 105 S Gotti (Ita) 7:44; 106 P Gotti (Ita) 7:45; 107 S Gotti (Ita) 7:46; 108 P Gotti (Ita) 7:47; 109 S Gotti (Ita) 7:48; 110 P Gotti (Ita) 7:49; 111 S Gotti (Ita) 7:50; 112 P Gotti (Ita) 7:51; 113 S Gotti (Ita) 7:52; 114 P Gotti (Ita) 7:53; 115 S Gotti (Ita) 7:54; 116 P Gotti (Ita) 7:55; 117 S Gotti (Ita) 7:56; 118 P Gotti (Ita) 7:57; 119 S Gotti (Ita) 7:58; 120 P Gotti (Ita) 7:59; 121 S Gotti (Ita) 8:00; 122 P Gotti (Ita) 8:01; 123 S Gotti (Ita) 8:02; 124 P Gotti (Ita) 8:03; 125 S Gotti (Ita) 8:04; 126 P Gotti (Ita) 8:05; 127 S Gotti (Ita) 8:06; 128 P Gotti (Ita) 8:07; 129 S Gotti (Ita) 8:08; 130 P Gotti (Ita) 8:09; 131 S Gotti (Ita) 8:10; 132 P Gotti (Ita) 8:11; 133 S Gotti (Ita) 8:12; 134 P Gotti (Ita) 8:13; 135 S Gotti (Ita) 8:14; 136 P Gotti (Ita) 8:15; 137 S Gotti (Ita) 8:16; 138 P Gotti (Ita) 8:17; 139 S Gotti (Ita) 8:18; 140 P Gotti (Ita) 8:19; 141 S Gotti (Ita) 8:20; 142 P Gotti (Ita) 8:21; 143 S Gotti (Ita) 8:22; 144 P Gotti (Ita) 8:23; 145 S Gotti (Ita) 8:24; 146 P Gotti (Ita) 8:25; 147 S Gotti (Ita) 8:26; 148 P Gotti (Ita) 8:27; 149 S Gotti (Ita) 8:28; 150 P Gotti (Ita) 8:29; 151 S Gotti (Ita) 8:30; 152 P Gotti (Ita) 8:31; 153 S Gotti (Ita) 8:32; 154 P Gotti (Ita) 8:33; 155 S Gotti (Ita) 8:34; 156 P Gotti (Ita) 8:35; 157 S Gotti (Ita) 8:36; 158 P Gotti (Ita) 8:37; 159 S Gotti (Ita) 8:38; 160 P Gotti (Ita) 8:39; 161 S Gotti (Ita) 8:40; 162 P Gotti (Ita) 8:41; 163 S Gotti (Ita) 8:42; 164 P Gotti (Ita) 8:43; 165 S Gotti (Ita) 8:44; 166 P Gotti (Ita) 8:45; 167 S Gotti (Ita) 8:46; 168 P Gotti (Ita) 8:47; 169 S Gotti (Ita) 8:48; 170 P Gotti (Ita) 8:49; 171 S Gotti (Ita) 8:50; 172 P Gotti (Ita) 8:51; 173 S Gotti (Ita) 8:52; 174 P Gotti (Ita) 8:53; 175 S Gotti (Ita) 8:54; 176 P Gotti (Ita) 8:55; 177 S Gotti (Ita) 8:56; 178 P Gotti (Ita) 8:57; 179 S Gotti (Ita) 8:58; 180 P Gotti (Ita) 8:59; 181 S Gotti (Ita) 9:00; 182 P Gotti (Ita) 9:01; 183 S Gotti (Ita) 9:02; 184 P Gotti (Ita) 9:03; 185 S Gotti (Ita) 9:04; 186 P Gotti (Ita) 9:05; 187 S Gotti (Ita) 9:06; 188 P Gotti (Ita) 9:07; 189 S Gotti (Ita) 9:08; 190 P Gotti (Ita) 9:09; 191 S Gotti (It

